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TODAY'S
STYLE
Comfort in Modernity. Page 10

MONDAY, FEBRUARY 15, 1999

Real Madrid

Arsenal Offers Replay After Cup Incident

LONDON — In an unprecedented move, Arsenal has offered to replay a match that it won because two of its players broke the rules of soccer's offside rule.

Arsenal, of the English Premier League, beat Sheffield United, 2-1, in the FA Cup quarterfinal on Saturday.

Wenger, Arsenal's manager, said that the winning goal, scored by striker Dennis Bergkamp, was not valid.

Wenger offered Sheffield United the opportunity to replay the match following the withdrawal of the original goal.

Manchester United wins, Page 14

the governing body of English soccer the offer was initially accepted and two teams will meet again at Arsenal stadium on Monday.

With the match scheduled for 11:15 a.m., Arsenal's offer was made at 10:15 a.m.

As the match was about to start, Arsenal's offer was made public.

One of the players who broke the offside rule was Arsenal's striker, Bergkamp.

The referee, who was not aware of the rule, allowed the goal to stand.

But Arsenal's offer was made public before the match started.

Sheffield United's manager, Brian Smith, said he was happy to accept the offer.

Smith said his team would be happy to play Arsenal again.

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Free Markets: Clinton Gave a Push

By Nicholas D. Kristof and David E. Sanger
New York Times Service

They were serious men, prosperous and pinstriped, and they derided "the politics of class warfare" as they conducted a job interview with the young governor from Arkansas.

It was steak dinner in a private room of the "21" Club in New York in June 1991, and the top Democratic executives on Wall Street were gathered at a round table to hold one of a series of meetings with presidential aspirants in what an organizer called "an elegant cattle show."

They were questioning a man with a meager salary but a silver tongue, and this was another show in which Governor Bill Clinton charmed his way to a blue ribbon by impressing the executives with his willingness to embrace free trade and free markets.

"What was discussed was the need for the Democratic Party to have a new and much more forward-looking economic policy," Roger Altman, a leading investment banker and an organizer of the evening, recalled recently. "The Democratic Party needed to move into a new economic world."

Aides describe that evening as an important step in the business education of Mr. Clinton, who came to repeat and amplify the themes, especially the need to move away from protectionism and push for more open markets in Asia and all over the world.

It was also the time that Mr. Clinton first met Robert Rubin, then the head of Goldman Sachs & Company, and although the initial encounter was cool, the two men eventually forged a close partnership that has left an enormous imprint on the global economy.

Mr. Clinton and Mr. Rubin, who became his treasury secretary in 1995, took the American passion for free trade and carried it further to press for freer movement of capital. Along the way, they pushed harder to win opportunities for American banks, brokerages and insurance companies.

This drive for free movement of capital as well as goods was one factor in the long American-led boom in financial markets around the globe. Yet, in retrospect, Washington's policies also fostered vulnerabilities that are an underlying cause of the economic crisis that began in Thailand in July 1997, rippled through Asia and Russia, and is now shaking Brazil and Latin America.

Countries like Thailand and Russia and Brazil are in trouble today largely for internal reasons, including poor banking practices and speculation that soured out of control. But some economists also say that if those countries had weak foundations, it is partly because Washington helped supply the blueprints.

They argue that the Clinton administration pushed too hard for financial liberalization and freer capital flows, allowing foreign money to stream into these countries and local money to move out. In many cases, foreign countries were happy to open up in this way because they thought it was the best road to economic development, but a wealth of evidence has shown that over-hasty liberalization can lead to banking chaos and financial crises.

Even some former administration officials acknowledge that they went too far. Mickey Kantor, the former trade representative and commerce secretary, now says that the United States was insufficiently aware of the kind of chaos that financial liberalization could provoke.

"It would be a legitimate criticism to say that we should have been more nuanced, more foresighted that this could happen," he said.

Speaking of the risks of financial liberalization without modern banking and legal systems, he compared them to "building a skyscraper with no foundation."

Although the Clinton administration always talked about financial liberalization as the best thing for other countries, it is also clear that it pushed for free capital flows in part because this was what its supporters in the banking industry wanted.

"Our financial services industry wanted into these markets," said Laura D'Andrea Tyson, the former chairman of Mr. Clinton's Council of Economic Advisers and later head of the National Economic Council.

Ms. Tyson says she disagreed to some extent with the push and was concerned about "a tendency to do this as a blanket approach, regardless of the size of a country or the development of a country."

Free capital flows, she worried, could overwhelm small countries or those with weak banking and legal systems, leading to a "run on a country."

This is not to say that American officials are primarily to blame for the crisis. Responsibility can be assigned all around, not only to Washington policymakers, but also to the officials and bankers in emerging-market countries who treated the mess to Western bankers and investors who blindly handed them money, to Western officials who hailed free capital flows and neglected to make them safer, to Western scholars and journalists who wrote papers to emerging markets and the "Asian Century" — and to the people who planned an empty city named Muang Thong Thani.

Muang Thong Thani rises up above barren fields on the edge of Bangkok. It is a dazzling complex of two dozen

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Supporters of Olusegun Obasanjo celebrating Monday in Jos, Nigeria.

Party Backs An Elder Statesman In Nigeria

Military Chief of 1970s Seeks Return to Power In Elections on Feb. 27

By Norimitsu Onishi
New York Times Service

ABIDJAN, Ivory Coast — Pledging to make Nigeria "great again," General Olusegun Obasanjo won the nomination of the country's leading political party on Monday as its presidential candidate.

General Obasanjo's selection by the People's Democratic Party set the stage for his return to the position he held 20 years ago, this time as a democratically elected president.

"My joy knows no bounds," the retired general said in an acceptance speech at the end of a contentious convention in Jos, in central Nigeria. "I will devote all my energy and all the powers available to me to the service of Nigeria and humanity."

His chief rival, Alex Ekwueme, a former vice president during a brief period of civilian rule in the early 1980s, stood behind the general, offering his congratulations and support in the Feb. 27 elections.

From 1976 to 1979, General Obasanjo, now 61, served as Nigeria's military president. He earned lasting esteem, especially in international circles, for being the only general to give up power voluntarily since independence from Britain in 1960.

Over the years, he has become an elder statesman in Nigeria, respected in the rest of Africa and in the West.

In 1995, he was arrested and jailed with several others on charges of plotting a coup against General Sani Abacha, whose ruinous rule ended only with his sudden death last June.

After General Abacha's successor, General Abdulsalam Abubakar, released General Obasanjo and pledged an end to military rule, many inside and outside Nigeria pressed him to run for the presidency, viewing him as the only man capable of keeping the military in check and of navigating the treacherous ethnic and religious waters in Nigeria.

So when he declared his candidacy under a scorching sun in early November on his farm not far from Lagos, General Obasanjo immediately became the front-runner.

"Every Nigerian has a stake in the survival and prosperity of the country," he said during the news conference that day. "This stake should be recognized. No section or group should be made to feel disenfranchised or alienated."

Just as quickly, though, criticism

Sorting Out Iraq Options

Chirac Will Offer A Plan to Clinton

By Craig R. Whitney
New York Times Service

PARIS — President Jacques Chirac hopes to make headway with President Bill Clinton this week on French proposals to lift the oil embargo against Iraq if Baghdad will let international inspectors of its weapons programs resume, he said Monday.

"President Saddam Hussein, in my view, is responsible for all the miseries of the Iraqi people," the French president told American correspondents here before his planned meeting with Mr. Clinton on Friday in Washington.

But, he added, "the more the population suffers, the more it rallies to Saddam Hussein and strengthens him."

France, which was opposed last year to the British and American bombing of Iraq for refusing to cooperate with United Nations arms inspections, hopes to get the United Nations Security Council to approve a new plan to lift restrictions on the amount of oil Iraq can sell abroad if its leadership will agree to a new system of permanent monitoring

Turks Rebuff Aziz On UN Compliance

By Stephen Kinzer
New York Times Service

ISTANBUL — Iraq's second-ranking leader told Turkish officials Monday that his country had complied at least partly with United Nations resolutions and was ready for dialogue with all countries, including the United States.

According to informed diplomats, Turkey insisted that Iraq comply fully with all UN demands, including those that would force the country to open its weapons program to outside inspectors.

The visit of Tariq Aziz, the deputy prime minister, against a backdrop of U.S. and British air strikes against Iraqi targets, came as the United States continued trying to isolate and depose the Iraqi regime.

Although the visit was a symbolic victory for the Iraqis, it won them no substantive advantages.

The Clinton administration had expressed displeasure at Mr. Aziz's visit, saying it contradicted the U.S. policy of working to overthrow, rather than to negotiate with, the regime of President Saddam Hussein. Turkish leaders

Europe's Businesses Are in a Dark Mood

By John Vinocur
International Herald Tribune

FRANKFURT — Europe's economies are weakening, but with a contradictory element that leaves room for both a trace of optimism and the more frequent analysis here in the city's skyscrapers of cash that things will get worse.

With projections for growth pointing downward, the twist lies in the continuous rise of consumer confidence over the past seven months. It is at record levels in France and very healthy ones in Germany. But over the same period since July 1998, business confidence has retreated month after month in both countries, reflecting a darker view of Europe's prospects. New export figures from Germany to Russia and

China for late 1998 show declines of 50 percent and 32 percent from the comparable 1997 figures.

The consumers-versus-entrepreneurs conflict of sentiment plays itself out publicly through politicians' calls — which reflect their worries about a deep slowdown — for lower interest rates and the possible use of budget-stimulus measures. At the same time, fearing that too somber an outlook will affect consumer confidence, the politicians offer reassuring but contradictory tones that some economists say do not match reality.

In the extreme, the contrast comes to this: While Thomas Mayer, senior economist at Goldman Sachs & Co. in Frankfurt, said last week that he could envision a worst-case scenario in which the economy of the European Monetary Union zone could run into Japan-like

troubles, Yves-Thibault de Silguy, the European Union's commissioner for economy and finance, was insisting that the slowdown was "limited and temporary" and that there was "no breakdown in European growth."

Most estimates for growth this year in the 11 countries that adopted the common currency, the euro, on Jan. 1 average out to about 2 percent, a decline of close to one-third from initial projections and well short of the rate needed to create jobs or establish the euro as an independent currency safe from the prospect of political tampering.

Among the core euro countries, Germany and Italy appear most affected, with Goldman Sachs, for example, citing Germany's growth at 1.5 percent

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Clinton Warms to Idea of Wife in Senate

MERIDA, Mexico (AP) — President Bill Clinton said Monday that he thought his wife, Hillary, would make a "terrific" U.S. senator, but stressed that she had not decided whether or not to run for a New York seat.

"First of all, I think it's important that everyone understand that people in New York started calling her," the president said, answering questions after his private meeting here with

President Ernesto Zedillo. "I don't think it had ever occurred to her before a lot of people started calling and asking her to do it."

"I think she would be terrific in the Senate," he said.

Mr. Clinton and Mr. Zedillo, meanwhile, announced 16 drug-fighting measures, including extraditions by Mexico and ways of dealing with Americans' demand for illegal drugs.

Serb Leader Rejects NATO Force Anew

Hours after the international community openly charged Serbian negotiators outside Paris with obstructing a peace settlement with Kosovo secessionists, the president of Serbia amplified Yugoslavia's refusal to allow foreign troops on its soil and revealed a raft of new objections to political autonomy for the predominantly ethnic Albanian province.

"We're against any kind of foreign troops" on Yugoslav soil, said the Serbian president, Milan Milutinovic.

"If the agreement is good and fair and supported by a vast majority of residents of Kosovo," he said, "no foreign force is necessary to make them implement it." Page 6.



Mr. Clinton strolling Monday with Mr. Zedillo at the Hacienda Temozon.

Awaiting Albright Visit, China Frees a Journalist

Dissident Served 5 Years for Political Writings

By Erik Eckholm
New York Times Service

BEIJING — Two weeks before a planned visit here by the U.S. secretary of state, China granted early release Monday to a prominent journalist who has spent more than five years in prison for writing about Chinese politics in a Hong Kong publication.

The journalist, Gao Yu, now 55, has served all but nine months of a six-year sentence, given at a closed trial in 1993 for "revealing state secrets."

Miss Gao's sentence was widely viewed as a warning to other Chinese journalists not to venture onto sensitive ground, and her case became a cause of international press organizations.

She has also appeared on lists of high-profile political prisoners that senior U.S. officials privately raise with China's leaders when urging them to improve their nation's record on human rights.

Secretary of State Madeleine Albright is expected here in early March to help prepare for an April visit to Washington by Prime Minister Zhu Rongji. Although the visit is intended to focus

on economic and environmental issues, it is certain to be dogged by questions about the harsh sentences recently dealt to leading democracy campaigners.

Miss Gao's release came on the eve of the Lunar New Year, or Spring Festival, China's biggest holiday.

"This is my happiest Spring Festival in 10 years," Miss Gao's 27-year-old son, Zhao Meng, told reporters. He said she was in good spirits but suffers from high blood pressure and heart problems and will seek medical care after spending this week resting with her husband and close relatives.

The authorities had turned down earlier requests for medical parole.

In 1989, Miss Gao was deputy editor of the Economic Weekly magazine, which played a part in the opposition ferment of that year and was shut down by authorities after the June 4 crushing of the Tiananmen Square demonstrations. Miss Gao had been arrested on June 3 and spent 15 months in jail without being formally charged.

In 1993, she was rearrested after she

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Court Ruling for 'Jeans Alibi' in Italy Rape Case Rekindles Furor

By Alessandra Stanley
New York Times Service

ROME — After 20 years of intense political and social debate, Italy amended its antiquated rape laws three years ago, toughening the punishment for sexual assault and reclassifying it from a moral offense to a criminal felony. That long-awaited change was widely viewed not just as a feminist victory, but as a sign that Italian society had overcome old biases and deeply entrenched cultural taboos.

Then came the "denim defense," or what Italian

lawmakers are calling, the "jeans alibi": a court ruling that suggested that a woman cannot be raped if she is wearing jeans because they are impossible to remove unless she helps. That decision — and the country's reaction to it — has once again reopened an angry debate about rape, and how judges view sexual assault.

A group of female lawmakers are on an open-ended "jeans strike" — they say they will wear jeans to Parliament until the decision is changed. In a kind of media déjà-vu, Italian newspapers, television and radio talk shows are holding impassioned discussions on a subject that many

believed was resolved years ago.

Last week, the third division of the Supreme Court of Appeals in Rome made public the text of a November ruling that overturned the 34-month sentence of a convicted rapist in southern Italy.

Among other things, the court stated that "jeans cannot be removed easily, and certainly it is impossible to pull them off if the victim is fighting against her attacker with all her force."

That was but one of several arguments that led the court to order a new trial for the defendant. But the point about jeans set off an explosive reaction. Alessandra Mussolini, a conservative member

of Parliament and the granddaughter of Benito Mussolini, along with other female lawmakers from other political parties, donned jeans and held a protest inside Parliament.

The court ruling continues to dominate public discussion — and mockery. In Rome and in Naples over the weekend, shop owners began waggishly marketing "anti-rape jeans" as St. Valentine's Day gifts.

The case, which was filed in 1992, pitted an 18-year-old girl against her 45-year-old driving

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Newsstand Prices
Bahamas 1.000 BO
Cyprus 0.800 CYP
Denmark 1.200 DKK
Finland 1.200 FIM
Gibraltar 1.200 GIB
Great Britain 1.200 GBP
Ireland 1.200 EUR
Japan 1.200 JPY
Korea 1.200 KRW
Kuwait 1.200 KWD
Malta 0.500 MTL
Nigeria 1.200 NGN
Oman 1.200 OMR
Qatar 1.200 QAR
Rip. Ireland 1.200 EUR
Saudi Arabia 1.200 SAR
S. Africa 1.200 ZAR
U.A.E. 1.200 AED
U.S. (incl. VAT) 1.200 USD
U.S. (excl. VAT) 1.200 USD
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The China Threat, Some Experts Insist, Is Overrated

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THE AMERICAS

Party Postmortem: Damage Control Is Focus of Centrist Republicans

By Kevin Sack
New York Times Service

MIAMI — Exasperated and demoralized, a group of centrist Republicans caucusing here on the weekend after President Bill Clinton's acquittal warned that the party must broaden its appeal, recapture its agenda and isolate its right wing if it expects to heal the political wounds inflicted in its prosecution of the president.

Several of the speakers who addressed the Republican Leadership Council over two days, including Governors Christie Whitman of New Jersey and John Rowland of Connecticut, used unusually blunt language in assessing the damage to the party.

"These are tough times for the Republicans," Mrs. Whitman said in an address Saturday. "There are no two ways about that."

She added: "The fact is that many Americans right now have an impression

of the Republican Party that's mean-spirited, vindictive and was not attending to the public's business. It's not up to us to argue with those critics right now. It's up to us to figure out how we repair the damage and how we move on."

Mr. Rowland suggested that the fallout from the impeachment and trial of Mr. Clinton on charges of perjury and obstruction of justice had strengthened an already entrenched image of Republicans as negative and intolerant. The Senate trial ended last Friday with votes of acquittal on both articles of impeachment, with neither count gaining a majority.

"We have done incredible damage, because in my opinion we've developed a laundry list of people that we're against," Mr. Rowland said.

Mr. Rowland, who won re-election to a second term last year, went on to say that Republican policies and platform plank over the last two decades had alienated women, union members, im-

migrants, minorities, the elderly, teachers, homosexuals and environmentalists.

"I will report to you that the good news is that the rich people and the business people still like us," he said. "But that's about it. Unless they can vote four or five times each, we've got some problems in the next couple of campaigns."

The meeting here, at the Doral Golf Resort and Spa, put on public display the intraparty tensions exposed by the Republicans' electoral setbacks in November, when the party lost seats in the House of Representatives, and by its dogged pursuit of a popular president on charges stemming from an extramarital affair.

Although many in attendance said they saw opportunity in the party's current misfortunes, the sessions often had the feel of one of those post-election confabs where party activists gather to assign blame for a failed strategy.

The Republican Leadership Council, once known as the Committee for Re-

sponsible Government, was formed in 1992 in response to what its founders viewed as the gratuitously intolerant tone of that year's Republican National Convention in Houston. Its mission statement promotes the "fundamental Republican ideals of fiscal conservatism and social inclusion."

The group unabashedly seeks to replicate the methods and successes of the Democratic Leadership Council, an older organization once led by Mr. Clinton that has pushed Democratic politics toward the center.

Many of the group's leaders support abortion rights. But they say the council's primary mission is to eliminate all manner of inhumane tests from Republican politics, particularly on social issues.

Many among about 70 people at the weekend gathering said they thought that the party's Washington leadership had shown itself to be remarkably tone-deaf, at least partly because moderate voices had been drowned out by an

incessant blare from the right. The clear consequence, they said, has been that public opinion of Mr. Clinton's job performance has risen during the impeachment process while Republicans have been blamed for leading the country through a tawdry spectacle.

"Does the Republican-controlled Congress operate under a mandate that requires it to elect leaders who are homogeneous, intolerant, good old Southern boys who are prone to say dumb things?" asked Richard Blank Jr., a securities trader from Rumson, New Jersey. "If we don't deliver good sound bites, we can't put a new face on our party."

Lawrence Wertzner, a campaign consultant from Princeton, New Jersey, said the party had bungled its politics twice in six months, first by making the 1998 off-year election a referendum on impeachment and then by ignoring the results.

"The voters gave their verdict," Mr. Wertzner said. "Instead of listening and

following the will of the people, we fought them. And it should be no surprise that we're paying the price for it."

Several council members warned that the Republicans would lose the 2000 presidential race, and possibly their congressional majorities as well, if the party did not move aggressively toward the middle and show itself to be engaged in kitchen-table issues like education, tax cuts, health care and Social Security. And it was vital, said one speaker after another, to stop allowing the party's social conservatives to define modern-day Republicanism.

"We have to get away from the perception that all we care about is whether or not Teletubbies are gay," Mrs. Whitman said, referring to an article published last week by Jerry Falwell, former leader of the Moral Majority, suggesting that the creators of a children's television show intended one of the characters to be a gay role model.

Ah! '50s Gang Life

Now It's an Art Show in New York

By Blaine Harden
New York Times Service

NEW YORK — They were the days.

A street tough named McGiff got himself skewered in Prospect Park with an army surplus bayonet.

Anthony Vivaldo, himself a tough and later a New York City police sergeant and now a dispatcher for a car service on Staten Island, saw it happen.

"I watched the blade go in and I

watched the blade come out. McGiff

lived," marveled Mr. Vivaldo, although he said the man later died of heroin

addiction.

Rekindled by photographs taken 40

years ago, such brass-knuckled memories

overwhelmed a gathering last week-

end of the remnants of a Brooklyn street

gang.

They assembled at an Upper East

Side gallery to commemorate black-

and-white images of themselves frozen

in late 1950s cool.

Men pushing 60, with wives and

grown children listening in wide-eyed

amazement, rhapsodized about fist

fight that occurred during the Eisen-

hower administration.

Patrick Fenton, then a gangly Irish

kid with a pompadour and now a part-

time writer and fulltime court clerk at

the state Supreme Court in Queens,

remembered a drunken fight not so

much for the punches as for its ending.

"We both threw up," Mr. Fenton

said.

Robert (Bongie) Powers, a former

drug dealer and heroin addict and now

an addiction counselor, said he never

once won a fight unless three or four of

"you guys held somebody down and I

could beat them."

The reunion took place, around a

table with pizzas and sodas, in a first-

floor conference room at the Interna-

tional Center of Photography on Fifth

Avenue.

On the floor above, a sizable Sat-

urday crowd of paying customers in-

spected 50 photographs of the gang as

they were in the summer of 1959,

skinny and brooding, showing off tat-

toos and smooching with girls under

the boardwalk at Coney Island.

The gathering was the work of Mr. Powers, who tracked down eight other gang members and their families, and of Bruce Davidson, the New York photographer who, when he was 25, spent several months hanging out in Brooklyn, carefully making pictures.

"I was very scared," Mr. Davidson remembered. "They were very unpredictable. I was never sure if their anger was going to focus on me."

Violent youth gangs were a much-publicized problem in New York City at the end of the 1950s. A Youth Board was created by the city to try to stop their fights.

The New York Times wrote a seven-part, front-page series in 1958 examining the antisocial behavior of adolescents in the "shook-up" generation. The series had a glossary that defined "rumble" as a gang fight.

From the calming distance of four decades, there is a temptation to see in Mr. Davidson's photographs a certain sweetness, even hope.

These were teenagers who hung out in candy stores, after all, not crack houses. They fretted about dance contests, not drive-by shootings. They crossed themselves when walking by churches; they did not murder rivals with 9-millimeter semiautomatic handguns.

Many of the teenagers in the photographs, however, inhabited a working-class Brooklyn where sweetness and hope were in desperately short supply.

If they had had guns, several former gang members said, they probably would have used them.

Mr. Powers, whose printed recollections narrate the photo exhibit, is remembered by Mr. Davidson as endlessly angry, "like some kind of wired marmot."

Like the other members of the gang that called themselves the "Jokers" and the "Eighth Avenue Boys," Mr.



Bruce Davidson, the photographer, left, and Robert Powers, ex-gang member.

Powers grew up in a mostly Irish neighborhood near Prospect Park, a place, he said, where "a kid wished he was dead a million times."

For gang members, it was a neighborhood where Catholic families were large, but cold. Fathers drank boiler-makers for breakfast before heading off to gray factories that lined the Brooklyn waterfront.

Factories kept closing in those years, tormenting unskilled men who had limited options and unlimited obligations. As gang members remember it, fathers self-medicated in street-corner bars before heading home, sometimes to take out their troubles on wives and children.

Mothers, too, were exhausted and often embittered from the ordeal of 6 or 8 or 10 pregnancies, from the importuning of children and from the periodic uselessness of husbands.

Mr. Powers remembers that both his parents, who lived in a five-room apartment with their eight children, were alcoholics and, for him, unreachable.

"It's not that they treated me bad," Mr. Powers said. "They didn't treat me."

Although the gang members did not have automatic weapons, they were — by their own admission — itching to

fight. "Did we fight with chains and pipes and knives? Yeah," said Mr. Powers, a small man with pale, watery blue eyes, a gray ponytail and two studs in his left ear.

"Did people get stabbed? Yeah, people got stabbed."

"And people got their heads cracked open with bats."

Mr. Powers and others at the reunion argued that they had more guts than gang members today who shoot at rivals from moving cars.

"Drive-by shootings?" Mr. Powers asked. "What does that take? It takes a nut job, as far as I am concerned. How about standing in front of somebody and punching it out?"

There are several from the gang who are dead, from cirrhosis, from drugs, from bullets fired outside a bar.

Yet around the table at the gallery, it was noisily apparent that gang life could give way to better things.

There were two retired police officers, an electrician, a retired transit worker, a hospital administrator, a singer.

There were handsome grown-up children who came of age in New Jersey or on Long Island and who know nothing of gangs, except from the papers and dad's stories over dinner.

52 Treaties in Senate Purgatory May Be Put to Rest

By Thomas W. Lippman
Washington Post Service

WASHINGTON — They all probably seemed like good ideas at the time.

Through months and sometimes years of negotiations, through scrutiny by lawyers, lobbyists and diplomats, they had their supporters. Each of the protocols, conventions and treaties with other countries signed by representatives of the U.S. government was drafted to address some burning economic, strategic or legal issue of the day.

But they never went into effect because the Senate never ratified them. They sit, years and even decades later, still nominally awaiting the Senate's consent but mostly as dead as the Cold War. According to the Senate Foreign Relations Committee, there are 52 of these treaties that have never been ratified. The oldest was signed in 1949, an international labor agreement on protecting the right of workers to organize.

Some of the major treaties on the list stirred controversy, such as the 1979 SALT-2 strategic arms limitation agreement with the Soviet Union, which was pulled back by President Jimmy Carter from likely defeat in the Senate after the Soviet invasion of Afghanistan.

Another treaty is the Law of the Sea treaty, which was rejected by President Ronald Reagan in 1982, amended to meet U.S. objections, signed by President Bill Clinton and sent to the Senate in 1994. That treaty still awaits action, despite vigorous lobbying for it by the navy.

But most of the agreements are obscure and long forgotten, such as a 1982 consular convention with the minority apartheid government of South Africa.

The Senate did not reject them. It just never completed action one way or the other, for reasons as varied as the treaties themselves. Many went into force around the world as other countries ratified them, leaving the United States outside their jurisdiction.

"We have this mechanism by which a treaty can be sent up and put on the calendar and be there forever, never up or down," said Robert Dalton, the State

Department's assistant legal adviser for treaty affairs.

Mr. Dalton said vigorous opposition from any well-organized lobbying group was often sufficient to prevent ratification.

Last month, the Senate Foreign Relations Committee chairman, Jesse Helms, wrote to Secretary of State Madeleine Albright proposing a bipartisan convention to clean out the dead wood. He said his committee hopes to clear some of the pending agreements for action by the full Senate. For the rest, he will seek a resolution to "return these treaties to the administration."

Mr. Helms, Republican of North Carolina, asked Mrs. Albright to give him a list of treaty priorities. The problem with that, State Department officials said, is the two have different priorities.

She has repeatedly asked Mr. Helms to expedite ratification of the 1980

United Nations Convention on Elimination of All Forms of Discrimination Against Women. That is not high on Mr. Helms' list.

Mrs. Albright's first priority is endorsement of the Comprehensive Test Ban treaty, banning all nuclear weapons tests. Mr. Helms, however, has said he will not move on that treaty until the administration submits to the Senate amendments to the 1972 Anti-Ballistic Missile Treaty with the Soviet Union that were negotiated in 1997 — amendments that Mr. Helms opposes and hopes to use as a vehicle for scrapping the entire ABM Treaty.

"As I stated publicly last week," Mr. Helms said in his Jan. 29 letter, "the Committee will not consider major treaties such as the Comprehensive Nuclear Test Ban Treaty until the president has submitted the ABM Treaty amendments, and the Kyoto Protocol on Cli-

mate Change." Mr. Helms also opposes the Kyoto protocol.

Senior administration officials are far from ready to submit either agreement. They want to hold back the ABM Treaty amendments until after the Russian parliament has ratified the START-2 arms control treaty, — which it has steadfastly refused to do — and they intend to hold back the Kyoto protocol until major developing countries are prepared to accept its emissions limitations.

Mr. Helms, however, argued in his letter that "the executive branch cannot demand quick action on certain treaties and at the same time hold hostage other treaties fearing their certain rejection by the Senate."

The ABM amendments and the Kyoto treaty do not actually appear on the Foreign Relations Committee list of unratified treaties because they have never been submitted to the Senate.

Short on Money, a NASA Contractor Reaches Into a Museum to Replace Lost Booster Parts

The Associated Press

HUNTSVILLE, Alabama — A contractor for NASA has asked the U.S. Space and Rocket Center museum to return exhibit parts for future shuttle launchings.

Citing a lack of parts and funding, Marshall Space Flight Center and United Space Alliance asked the center last week to return forward assemblies from the solid rocket boosters on the museum's full-size shuttle exhibit.

"I wouldn't have thought we would have given flight-ready hardware," Lynne Lowery, community affairs manager at Marshall, said in the Sunday edition of the Huntsville Times.

The segmented rocket boosters are the largest solid propellant motors ever flown, at 149 feet (45.4 meters) long and 12 feet in diameter. After a shuttle launch, the boosters are designed to separate at 220,000 feet and parachute back to the ocean. They are recovered and refurbished for future flights.

The forward assembly contains the booster's jetison rockets, electronics, recovery parachutes and self-destruct system, among other flight instrumentations.

John Chapman, deputy solid rocket booster project manager at Marshall, said the assemblies were designed for repeated use, but several have been damaged or lost since the U.S. shuttle program began in 1981.

He estimated it would cost about \$300,000 to lower the museum's boosters to the ground, remove the forward assemblies, restore them to flight-ready condition and build non-flight mockups for use in the museum exhibit.

But it would take three years and cost from \$5 million to \$10 million to find a manufacturer and build new forward assemblies. And the Clinton administration's fiscal 2000 request for National Aeronautics and Space Administration represents a decline for the fifth straight year.

Away From Politics

American Indians are the victims of violent crimes at more than twice the national average and 70 percent of those committing crimes against Indians are of a different race, according to a Justice Department study. About 60 percent of the perpetrators of violent crimes against Indians were whites. (NYT)

A custodian at Walt Disney World in Orlando, Florida, died after he was swept from a platform by an elevated cable car and plunged 40 feet to the ground. (AP)

A fourth Ford employee has died from injuries suffered in a power plant explosion at the company's Rouge complex. Ken Anderson, 44, died in the intensive care unit where he had been since the Feb. 1 blast in Dearborn, Michigan. (AP)

Crews continued firebombing the wreckage of a cargo ship that ran aground near Coos Bay, Oregon, hoping to burn away the remnants of oil still in its cracked hull. (AP)

Clinton, Blamed for Trial, Still Scores High in Poll

By Richard Morin
and Claudia Deane
Washington Post Service

WASHINGTON — Most Americans approve of the Senate votes not to remove President Bill Clinton from office but blame him for the impeachment trial and remain divided over what, if anything, should happen next, according to a Washington Post survey.

A majority of those polled said the Senate should end attempts to censure or formally reprimand Mr. Clinton. But nearly half also said the president eventually should have to face criminal charges of perjury or obstruction of justice, either while he is still in office or after he leaves in January 2001.

But the survey contained other news likely to reassure the president and further frustrate his political enemies. After a year dominated by a sex scandal that led to his impeachment and trial, Mr. Clinton has never been more popular with the American people.

While the public supported the impeachment verdict, most Americans disliked nearly everything that led to it. Partisan differences vanished as Republicans and Democrats alike expressed broad dissatisfaction with the impeachment process.

Nearly three out of four said Republicans had had a fair chance to present their case against Mr. Clinton in the Senate. It was a view shared by most Democrats and Republicans questioned in the poll — but not by some prominent Republican Party leaders, who have expressed anger about the restrictions placed on the House "managers."

By 54 percent to 42 percent, Americans said Mr. Clinton was more to blame for the impeachment trial than Republicans in Congress were.

Weariness rather than anger or glee seemed best to characterize the public mood at the conclusion of only the second impeachment trial in American history.

"I'm just glad it's over with," said Ronda Edgerton, 33, a social-services manager in Atlanta. "I think basically Clinton has been humiliated." She added: "But he did wrong, and I will admit he did wrong, and I think he admits he did wrong. I'm just glad we're finally at a place now where we can move on."

By 52 percent to 35 percent, Americans said they trusted Mr. Clinton more than congressional Republicans to deal with the country's biggest problems. Moreover, Mr. Clinton's edge on that question is larger than it was before the scandal surfaced 13 months ago, when 48 percent expressed more confidence in Mr. Clinton and 40 percent said they trusted the Republicans.

In fact, by virtually every important measure, Mr. Clinton's job-performance ratings are higher now than they were before the world heard the first reports of Mr. Clinton's relationship with the former White House intern Monica Lewinsky.

Today, his overall job approval rating stands at 68 percent, eight percentage points higher than in a Post survey taken immediately before the scandal broke in mid-January 1998.

During the past 13 months, the proportion of respondents who said they "strongly approved" of Mr. Clinton's job performance has nearly doubled, from 24 percent to 46 percent in the most recent poll. Three in four currently approve of the way Mr. Clinton is handling the economy, up 11 percentage points from the January 1998 pre-scandal poll. Two in three say they like the way Mr. Clinton is managing foreign affairs, another double-digit increase from pre-scandal surveys.

A total of 1,010 randomly selected adults were interviewed Friday night through Sunday for the poll. The margin of sampling error for the overall results is plus or minus three percentage points.

According to the poll, 64 percent of those interviewed approved of the "not guilty" verdict returned by the Senate on Friday on the two articles of impeachment, while 35 percent disapproved.

More than half — 56 percent — said the Senate should "drop the case without censuring Clinton," while 41 percent said he should be censured or formally reprimanded. It marked the first time in the Post's polls that a clear majority had failed to support censure, largely because the proportion of Democrats supporting censure fell dramatically in the wake of the Senate impeachment vote.

Yet many Americans remain troubled by the notion that Mr. Clinton may not be punished for his efforts to conceal an extramarital affair with Miss Lewinsky. Nearly half — 48 percent — said Mr. Clinton should "face criminal charges at some point," with a majority of those saying he should be charged after he leaves office.

POLITICAL NOTES

Reagan's Admirers Look to Rushmore

WASHINGTON — For some Republicans, naming an airport and an expensive new office building after former President Ronald Reagan isn't honor enough. Now, one lawmaker has started a campaign to put Mr. Reagan in the company of George Washington, Abraham Lincoln, Theodore Roosevelt and Thomas Jefferson — on the face of Mount Rushmore in the Black Hills of South Dakota.

Representative Matt Salmon, Republican of Arizona, sent his colleagues a letter this month asking them to sponsor an upcoming bill that would add Mr. Reagan's likeness to Mount Rushmore.

"History has already vindicated Ronald Reagan's positions, and we should honor him appropriately for his achievements," Mr. Salmon said in his letter, crediting the former president with winning the Cold War and turning the economy around.

The National Park Service, however, says Mr. Salmon's plan to carve Mr. Reagan's likeness into the stone would not work.

In 1989, the Park Service, charged with maintaining Mount Rushmore, commissioned a routine study of the monument's long-term stability and concluded the mountain cannot handle more carving or drilling. A park service spokesman, David Baran, said the structure was too unstable, and added that Washington's face had so many cracks that future sculpting of the mountain could worsen the situation.

Mr. Salmon is not taking the administration's word for it. The Arizona Republican plans to introduce his bill Feb. 25. Two Republican Representatives, Roscoe Bartlett of Maryland and John Kasich of Ohio, have said they will support the proposal, according to Mr. Salmon's press secretary, Michael Paranzino.

The legislation would create a nonprofit foundation to oversee the project and raise private funds for the endeavor. (WP)

Forbes Magazine Takes Aim at Gore

WASHINGTON — What some might see as an opening salvo in the 2000 presidential campaign appeared in a recent magazine piece. "Al Gore is obsessed with protecting the environment," it said. He is an "environmental extremist," his aides seem to have an "anti-business bias"; some of his ideas are "kooky."

The magazine? Forbes. The one owned by Steve Forbes, who's been running for president since the end of his 1996 campaign. The billionaire Republican who wants to take on Mr. Gore, the likely Democratic nominee.

"We've been on an anti-regulatory kick for years," Mr. Forbes says. "The integrity of the magazine speaks for itself. It would be a travesty for our readers for me to say you cannot comment on anything that might be construed as critical of President Clinton or Gore."

Besides, says Mr. Forbes, the editor in chief, "if I tried to tell a reporter what to write, I'd get the opposite, and you'd read about it on Page Six of the New York Post." (WP)

Quote/Unquote

Richard J. Blank Jr., a securities trader from Rumson, New Jersey, at a meeting of the moderate Republican Leadership Council: "Does the Republican-controlled Congress operate under a mandate that requires it to elect leaders who are homogeneous, intolerant, good old Southern boys who are prone to say dumb things? If we don't deliver good sound bites, we can't put a new face on our party." (NYT)

ASIA/PACIFIC

World Puzzles Over Indonesia's Turnabout on East Timor

By Philip Shenon
New York Times Service

WASHINGTON — For almost a quarter-century, relations between Indonesia, the world's fourth-most-populous nation, and the United States, as well as the rest of the outside world, have stumbled over the fate of half an impoverished island so small and so remote that even many Indonesians would have trouble finding it on a map.

But with the utterance of a few words by Indonesia's new president last week, the territory, East Timor, suddenly appears to be on the brink of independence. That has left the Clinton administration and other foreign governments puzzling over a response to Indonesia's turn-around.

Indonesia, on the verge of economic and political collapse as a result of the Asian economic crisis, seems eager to bid of East Timor, a former Portuguese colony that was invaded and annexed by Indonesia in the mid-1970s over international protest.

Since then, the territory's name has become a rallying cry for human-rights campaigners.

"We don't want to be bothered by East Timor's problems anymore," Indonesia's new president, B.J. Habibie, said last week. "If someone asks me about East Timor, my suggestion is, Give them freedom. It is just and fair."

While welcoming the move toward independence for the 750,000 people of East Timor, U.S. officials and foreign diplomats say that if the break with Indonesia is too sudden, it could lead to chaos and even civil war as Timorese factions maneuver for power.

While the vast majority of the population is thought to favor independence, anti-independence East Timorese have formed small armed bands to fight to keep the territory part of Indonesia, the weapons provided to them by the Indonesian military.

"The Indonesians can't just pull out and expect it to be normal there," said Stanley Roth, assistant secretary of state for East Asian and Pacific Affairs. "Any

viable solution in East Timor must avoid the type of bloodshed that occurred in 1975, when Portugal withdrew."

Portugal abruptly pulled out of East Timor that year after nearly four centuries of colonization. Indonesia quickly invaded, annexing East Timor in 1976, and declaring it a province. The western half of the island, a former Dutch territory, was already part of Indonesia.

International human-rights groups have long accused the Indonesian military of a campaign of murder and torture to enforce the annexation of East Timor; human-rights groups say that up to 200,000 East Timorese have died since 1975 as a result of fighting with government forces or human-rights abuses.

President Suharto, who resigned under pressure last May after more than three decades in power, insisted that East Timor would forever remain part of Indonesia.

But his successor and former vice president, Mr. Habibie, recognized that East Timor had helped turn Indonesia into a ripe target for human-rights ac-

tivists, and that rights abuses there by the Indonesian military were damaging diplomatic and trade relationships at a time when Indonesia was desperate for international help.

"Indonesia is burdened with enough troubles now, without East Timor," said Daniel Lev, an Indonesian specialist at the University of Washington. "This is a very sensible decision that will work in Indonesia's favor. This would relieve Indonesia of an international burden and the international criticism it has faced since 1975."

Earlier this month, Mr. Habibie agreed to remove the long-jailed leader of the East Timorese independence movement from prison and place him under house arrest.

He also ordered Indonesia's foreign minister to meet at the United Nations with his counterpart from Portugal, which is still recognized by the United Nations as the territory's administrator, to discuss greater autonomy or independence for East Timor.

The fear, U.S. officials and foreign

diplomats say, is that Mr. Habibie may move too quickly, and that East Timor may find itself granted full independence from Indonesia before it is ready to govern itself, with the territory awash in guns.

Mr. Habibie has said he wants the issue of East Timorese autonomy resolved by the end of this year.

In testimony last week in Congress, Mr. Roth said the State Department had received "numerous reports that the Indonesian Army has been arming pro-integration militia groups" in East Timor.

He said the United States welcomed a recent statement by the Indonesian government that it would support an effort to disarm the groups before a withdrawal of Indonesian troops.

But human-rights groups question whether the Indonesian military, concerned that independence for East Timor could spark independence movements elsewhere in the ethnically diverse archipelago nation, is trying to encourage turmoil.

BRIEFLY

Happy Birthday, Great Leader Kim

SEOUL — Despite widespread food shortages, North Korea is celebrating the birthday of its leader, Kim Jong Il, with pledges to defy U.S. warnings and build up its military.

Mr. Kim turns 57 on Tuesday, which now is celebrated as the Communist state's biggest holiday. This is his first birthday since he officially became North Korea's head of state last September as chairman of the National Defense Commission.

On Monday, 6,000 officials and soldiers filled a stadium in Pyongyang, North Korea's capital, to renew loyalty to their "great leader" and his long-standing policy of emphasizing military power. (AP)

Pakistanis Protest Trip by Vajpayee

LAHORE, Pakistan — Militant Islamic groups condemned a trip by India's prime minister to Pakistan and threatened Monday to erect a "human wall" at the border to stop him.

Atal Bihari Vajpayee will come to Pakistan on Saturday on the first commercial passenger bus to cross the border between the two uneasy neighbors in 51 years. It is also the first visit of an Indian prime minister in 10 years.

Prime Minister Nawaz Sharif of Pakistan will meet Mr. Vajpayee at Wagha, a border town, and accompany him to Lahore, 22 kilometers (13 miles) away. Mr. Vajpayee will fly home Sunday. (AP)

Indonesian Military Supported on Riots

JAKARTA — Indonesia's Parliament endorsed Monday the military's policy of shooting rioters on sight amid fresh bloodshed at both ends of the vast archipelago.

At least 20 persons died in renewed Christian-Muslim violence in the east and two in the restive western province of Aceh during the weekend, officials said.

In Jakarta, Parliament endorsed an order by the armed forces' commander, General Wiranto, for his troops to shoot rioters or troublemakers on sight.

"Society needs to be protected," the deputy speaker, Hari Sabarno, said. (Reuters)

MARKETS: Clinton Pushed for Freedom

Continued from Page 1

huge gray-white buildings soaring nearly 30 stories high, and surrounded by streets lined with shops, town houses and detached homes. Walk closer and it feels eerie, for it is a ghost city.

Along one street of 100 houses, the windows are mere holes in the walls, and yards have weeds that grow as high as a person.

Muang Thong Thani was built during Thailand's boom as a product of free capital flows and financial liberalization. It was the great dream of Anant Kanjanapas.

One of 11 children born to an ethnic Chinese business tycoon in Thailand, Mr. Anant grew up with the wealth that his family had acquired through developing property and selling watches in Asia.

The family's Bangkok Land company began acquiring parcels of property near the airport, and they broke ground in 1990 on a megaproject to build a privately owned satellite city for Bangkok. Muang Thong Thani was to have a population of 700,000, bigger than Boston's.

The project was greeted enthusiastically, as all proposals were in the early 1990s, and Bangkok Land issued shares on the Thai Stock Exchange in 1992 to raise money. Its shares were hot, picked up by J. Mark Mobius, the emerging-markets guru, and by funds like the Thai International Fund and the Thai Euro Fund, which between them bought more than one million shares of Bangkok Land.

Free movement of capital is nothing new, for it was the norm during most of Western history. At the beginning of this century, anyone could move money across borders without difficulty.

The Great Depression changed all that. Governments moved to control capital so as to avoid what they saw as the chaos of capital rushing out of countries and triggering financial crises.

The result was that most countries of the world, including the United States in the 1960s, limited the right of companies and citizens to buy foreign securities or invest overseas. People were often allowed to buy only small amounts of foreign currency.

Then, as memories of the Depression faded, the tide shifted again in the 1970s and '80s. Starting in the United States and Europe, it became fashionable to let money move freely, and the Reagan administration began to push for free capital flows in other countries.

The Clinton administration inherited that agenda and amplified it. Previous administrations had pushed for financial liberalization principally in Japan, but under Mr. Clinton it became a worldwide effort directed at all kinds of countries, even smaller ones much less able to absorb it than Japan.

"We pushed full steam ahead on all areas of liberalization, including financial," recalled Jeffrey Garten, a former senior Commerce Department official who is now dean of the Yale School of Management. "I never went on a trip when my brief didn't include either advice or congratulations on liberalization."

This push for financial liberalization reflected Mr. Clinton's growing enthusiasm for markets and his desire to make the economy a centerpiece of his foreign policy. He created the National Economic Council as a counterpart to the National Security Council, and asked Mr. Rubin to be its first head. More broadly, this push was part of a global ideological shift in favor of free markets, as well as an increasing enthusiasm among developing countries themselves for lifting restrictions on the flow of money.

"We were convinced we were moving with the stream," Mr. Garten said, "and that our job was to make the stream move faster."

Mr. Garten said he could not recall hearing any doubts expressed about the policy, either within the administration or among officials overseas. Referring to Mr. Rubin, Mr. Kantor and former Commerce Secretary Ron Brown, Mr. Garten said, "There wasn't a fiber in those three bodies — or in mine — that didn't want to press as a matter of policy for more open markets wherever you could make it happen."

"It's easy to see in retrospect that we probably pushed too far, too fast," he said, adding, "In retrospect, we over-shot, and in retrospect, there was a certain degree of arrogance."

The push for financial liberalization was directed at Asia in particular, largely because it was seen as a potential goldmine for American banks and brokerages. Neither Mr. Clinton nor Mr. Rubin had much experience in Asia — Mr. Clinton as governor had led trade del-

egations to promote Arkansas chickens and rice, and Mr. Rubin had done business in Japan for Goldman Sachs. But Mr. Clinton as president has worked hard to strengthen American ties with Asia, as well as his own.

The idea was to press Asia to ease its barriers to American goods and financial services, helping Fidelity sell mutual funds, Citibank sell checking accounts and American International Group sell insurance. Mr. Clinton's links to Asia caused embarrassment after they led to the campaign finance scandals of 1996, but fundamentally, they reflected an appetite for business opportunities in Asian countries that had changed, as Mr. Clinton once put it, "from dominoes to dynamo."

His cabinet approved a "big emerging markets" plan to identify 10 rising economic powers and push relentlessly to win business for American companies there. Under Mr. Brown, the Commerce Department even built what it called a war room, where computers tracked big contracts, and everyone from the CIA to ambassadors to the president himself was called upon to help land deals.

Freer flow of money pumped up the Thai economy, and with the help of foreign cash Mr. Anant began to realize his dream. Muang Thong Thani gradually emerged from the surrounding fields, with its skyscrapers focused on a business district called Bond Street.

The result is that since the crash, Muang Thong Thani has everything but inhabitants. Bond Street is a mile-and-a-quarter strip of modern, window-lined buildings, but aside from a handful of colorful storefronts — a bank, a restaurant, a pharmacy and a few others — they are empty.

The command center for free markets is the third floor of the U.S. Treasury, where Mr. Rubin and his deputy, Lawrence Summers, share a suite facing the Washington Monument. Mr. Rubin presides in a spacious office.

Historically, the Treasury has tended to stake out free-market positions, but Mr. Rubin stepped up the pace even further, for he showed an intuitive tilt toward the market based on his three decades as an investment banker.

Within the Clinton administration, Mr. Rubin and Mr. Summers won increasing influence because of their skill at marrying international finance and foreign policy. Mr. Summers had been a prominent economics professor at Harvard, and Mr. Rubin had made a fortune on Wall Street, enabling him to take off on vacations with a fly-fishing rod that, as an aide joked, "probably costs more than your house."

Within the administration, there were occasional arguments about the virtues of free capital flows. Academic economists like Ms. Tyson and Joseph Stiglitz, former chairman of the Council of Economic Advisers, sometimes argued that the Treasury was too dogmatic in insisting upon free flows.

But there is considerable evidence that top administration officials were involved in some efforts to seek freer capital flows, as when they pressed South Korea to liberalize its financial system.

After interagency discussions, the administration dangled an attractive bait: If Korea gave in, it would be allowed to join the Organization for Economic Cooperation and Development, the club of industrialized nations.

"To enter the OECD," recalled a senior official of the organization, "the Koreans agreed to liberalize faster than they had originally planned. They were concerned that if they went too fast, a number of their financial institutions would be unable to adapt."

In the end, Korea opened up the wrong way: It kept restrictions on long-term investments like buying Korean companies, but it dropped those on short-term money like bank loans, which could be pulled out quickly.

A flood of capital poured into emerging markets in the early and mid-1990s, including \$93 billion in 1996 alone into just five countries: Indonesia, Malaysia, the Philippines, South Korea and Thailand. Then there was a net outflow of \$12 billion from those five countries in 1997. This turnabout, which was most evident in short-term loans, amounted to a financial hurricane, one that would harm any country in the world.

So, while economists welcome free capital flows in principle, extensive scholarly work had clearly established the importance of "sequencing," meaning that countries should liberalize capital flows only after building up bank supervision and a legal infrastructure. A French scholar, Charles Wyplosz, of the Graduate Institute of International Studies in Geneva, concludes in an academic paper that "financial market liberalization is the best predictor of currency crisis."



BRIGHT LIGHTS — An ornaments vendor for the Lunar New Year awaiting customers Monday in Jakarta's Chinatown. Many Chinese have chosen to spend the holiday abroad, fearing violence.

DISSIDENT: Journalist Is Freed

Continued from Page 1

wrote a series of articles about Chinese politics in Hong Kong publications. Mirror Monthly and Overseas Chinese Daily.

The offending articles, written under a pseudonym, included one analyzing the continuing power of Deng Xiaoping, who was nominally retired. Another analyzed the Communist Party's retreat from its vow to separate the party and the government. The government charged that the articles were based on secret official documents, which she firmly denied.

Her 1993 arrest came two days before her planned departure to take up a fellowship at the Columbia University Graduate School of Journalism in New York.

She received the six-year sentence in late 1994.

"This sentence can devastate my health but not my spirits," she said then in a defiant statement to the court, noting that her body was ailing after the year in detention awaiting trial. "I am willing to sacrifice all that I have for my country's modernization and journalism."

In 1997, Miss Gao received the first annual award for press freedom from the UN Educational, Scientific and Cultural Organization.

In a response she relayed through relatives during one of their monthly 30-minute prison visits, she expressed deep thanks for the support and vowed, "When I leave prison and regain my freedom, I will use my pen to repay the world and my homeland."

INTERNATIONAL



DAY OF MOURNING — A Russian woman holding a portrait of her son, killed in the Afghan war, during a ceremony Monday in St. Petersburg marking the 10th anniversary of the Soviet pullout from Afghanistan.

BRIEFLY

Artillery Quiet on Eritrean Front

ASSAB, Eritrea — Ethiopian and Eritrean artillery fell silent on Monday after pounding each other in an intensification of their border war at the weekend.

Both sides said that there was no fighting on any of the three military fronts along the border but that their forces were prepared for more assaults.

"We are holding our positions, and we'll wait to see what the Ethiopians do next," an Eritrean official said.

In Eritrea's Red Sea port of Assab, residents and officials reported heavy artillery exchanges along the border about 70 km (40 miles) to the southwest throughout Sunday, and the town showed signs of a huge military buildup.

Roads leading from the port area out of the city were rutted by tank tracks and many private vehicles have been camouflaged with a mixture of grease and red dust to offer disguise outside urban areas. (Reuters)

Americas' Prelates Meet in Cuba

HAVANA — Cuba's top church official criticized ideologies on both sides of the political spectrum as prelates from across the Americas gathered to discuss the church's role in the Western Hemisphere.

The death penalty, abortion, human rights and the U.S. embargo against Cuba all impoverished the people of the Americas, Cardinal Jaime Ortega declared during a homily in the Havana cathedral. Five cardinals, 25 bishops and one priest traveled to the Cuban capital for the Latin American Episcopal Conference, which will study how to put into effect Pope John Paul II's call during his visit to Mexico last month for more evangelization in the hemisphere. The group includes 15

bishops from the United States and Canada, but the focus appears to be more on the poorer nations to the south. (AP)

Kenya Frees Suspect in Killing

NAIROBI — One of two suspects charged in the 1988 murder of British tourist Julie Ward was freed Monday after the case against him was thrown out for lack of evidence. Christine Meoli, a senior resident magistrate in Nairobi, reviewed the documents setting out the attorney-general's case against David Ole Nchoko, 33, but said she found no evidence directly linking him to the murder. (Reuters)

Deadly 1918 Virus Was Like Swine Flu

Reuters

WASHINGTON — A frozen corpse and preserved samples from victims of the 1918 flu pandemic that killed up to 40 million people worldwide show the virus resembled the common swine flu, scientists reported Monday.

Tissue samples from three people who died in the epidemic have provided enough genetic material to allow researchers to sequence one key gene of the virus, a team from the U.S. Armed Forces Institute of Pathology wrote in the Proceedings of the National Academy of Sciences.

The existing strain to which the 1918 sequences are most closely related is A/Sw/Italy/30, the oldest classical swine flu strain, the scientific team, led by Ann Reid and Jeffrey Taubenberger, wrote.

Researchers have been eager to discover what made the 1918 strain of flu so different — and so deadly. "The influenza pandemic of 1918 was exceptionally severe, killing 20 to 40 million people worldwide, with unusually high death rates among young, healthy adults," the team wrote.

Scientists also wanted to know where the virus originated because that can help doctors understand how best to fight the disease.

The Armed Forces Institute of Pathology team used samples from an Alaskan Inuit who was buried in permafrost on the Seward Peninsula; tissue preserved in formaldehyde from a 21-year-old soldier who died at Fort Jackson, South Carolina, and a 30-year-old who died at Camp Upton, New York.

الحمد لله

BRIEFLY

Happy Birthday, Great Leader Kim

Kim Il-sung, the founder of North Korea, turned 85 today. He is the only leader in the world to have lived longer than his country. He was born on Jan. 15, 1912, in the Japanese colony of Korea. He led North Korea from 1948 to 1994. He was succeeded by his son, Kim Jong-il.

Pakistanis Protest Trip by Vajpayee

Indian Prime Minister Atal Bihari Vajpayee's visit to Pakistan for the funeral of the late former prime minister Yashwantrao Chavan was met with protests in Pakistan. The protests were organized by the Baluchistan National Front and the Baluchistan Liberation Front. They demanded that Vajpayee should not visit Pakistan until the issue of Baluchistan's independence is resolved.

Indonesian Militants Supported on Rise

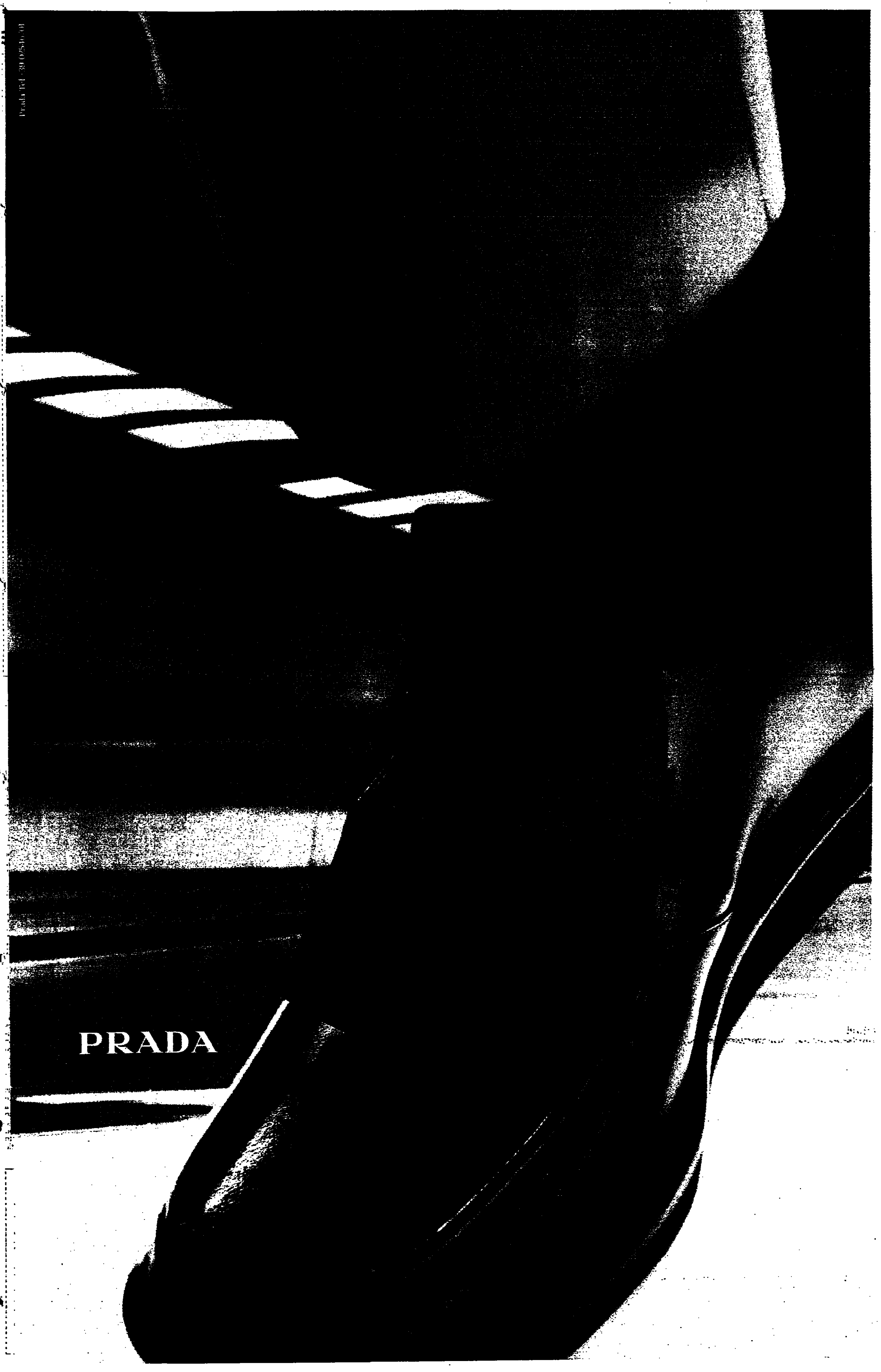
The Indonesian military has been accused of supporting militant groups in East Timor. The groups are fighting for the independence of East Timor from Indonesia. The military has been accused of providing them with weapons and training. The groups have been responsible for several attacks on Indonesian military and police forces.

NIGERIA: Party Picks Its

The Nigerian People's Party (NPP) has elected its new leader. The party is one of the major political parties in Nigeria. It has been in opposition for several years. The new leader is a former member of the Nigerian parliament. He is expected to lead the party in the upcoming general elections.

Was Like Swine

The article discusses the behavior of a group of people in a certain country. It compares their behavior to that of swine. The article is critical of their actions and suggests that they are acting in a selfish and greedy manner. It also mentions that they are causing harm to the environment and to the people of the country.



PRADA

EUROPE

NATO Force for Kosovo: Serbian President Isn't Giving In

By Charles Trueheart
Washington Post Service

PARIS — Hours after the international community openly charged Serbian negotiators here with obstructing a peace settlement with Kosovo secessionists, the president of Serbia amplified on Monday Yugoslavia's refusal to allow foreign troops on its soil and revealed a raft of new objections to political autonomy for the predominantly ethnic Albanian province.

"We're against any kind of foreign troops" on Yugoslav soil, said the Serbian president, Milan Milutinovic, at a press conference here as the Kosovo talks went into their eighth day in Rambouillet, outside Paris.

"If the agreement is good and fair and supported by a vast majority of residents

of Kosovo," he said, "no foreign force is necessary to make them implement it."

The imposition of a military force, led by NATO and dominated by Europe, to which the United States would contribute as many as 4,000 soldiers, is the proposed cement in the three-year interim settlement envisioned for the Balkan enclave of 2 million.

The force is designed to provide security guarantees to Kosovo's rebels, who would be required to end their year-old armed struggle for independence and turn over their weapons to international peace monitors after the withdrawal of all but a skeleton force of the Yugoslav and Serbian Army and police.

Mr. Milutinovic added that if the multinational force "is for chasing the terrorists—we can do that ourselves," the Serbian side regularly refers to the

Kosovo Liberation Army, the most radical of the Kosovar elements represented at Rambouillet, as terrorists.

The foreign ministers of the United States, France, Britain, Germany, Italy and Russia — the Contact Group of nations sponsoring the talks — met Sunday to extend the slow-moving Rambouillet negotiations until noon Saturday.

Judging from the stiffening position of the Serbian side, that deadline appears increasingly unrealistic, unless, as a Western diplomat speculated, it is a deliberate rhetorical ploy to serious compromise by Serbia on the force to be led by the North Atlantic Treaty Organization.

On Sunday, the U.S. secretary of state, Madeleine Albright, convened the first nonceremonial meeting at the talks attended by both warring sides. Mr.

Milutinovic said Monday that the meeting "was just blah-blah, and nothing substantial." But he repeated his government's wish for regular face-to-face talks with the Kosovars.

The standing threat of NATO air strikes against Yugoslavia if no settlement is reached at Rambouillet was repeated Sunday by Mrs. Albright and other Western leaders, but contradicted by the Russian foreign minister, Igor Ivanov, whose country has long rejected military action to force a settlement.

"There is no military solution to this problem," he said before leaving Paris on Monday.

Mr. Milutinovic said: "Bombs have never contributed to just and lasting solutions. Bombing represents a war crime and a crime against humanity and an aggression against our country."

The president of Serbia, the principal republic in Yugoslavia, has been monitoring the talks in France and giving regular press conferences, but he suggested Monday in response to a question that he was not in regular contact with Slobodan Milosevic, president of Yugoslavia.

Mr. Milutinovic also attacked the draft settlement's political provisions, including constitutional elements that had not been considered issues of major conflict. He said proposals advanced by international mediators "practically imply the separation" of Kosovo "from the state of Serbia."

For example, he said, it would be "impossible" to give a newly autonomous Kosovo Province a banking system and property rights differing from the rest of Serbia and Yugoslavia.

IRAQ: Turkey Rebuffs Aziz on Compliance

Continued from Page 1

counted that their country, as a neighbor of Iraq, needs to be in contact with its government.

Diplomats who participated in the Ankara meetings said Mr. Aziz had been soft-spoken and not confrontational.

They said he asked Turkey to help persuade foreign powers that Iraq is not bent on unending confrontation with the rest of the world. "He made the point

that he wants dialogue, even with the United States," a diplomat said.

"He wants the world to acknowledge that there has been at least some compliance with the UN."

On the key issue of the Incirlik air base in southern Turkey, from which U.S. planes regularly patrol Iraq, Mr. Aziz made no progress.

Diplomats said he did not even mention it directly during his talks with Prime Minister Bülent Ecevit and other senior officials.

Later, Vice President Taha Yassin Ramadan of Iraq said that his country would attack Incirlik if Turkey continues to allow it to be used as a base for monitoring the northern no-flight zone. The Associated Press reported from Baghdad.

"If the Turkish base continued attacking Iraq, it will certainly be" targeted, he said in an interview with Radio Monte Carlo.

[Iraq has already threatened bases in Saudi Arabia and Kuwait used to monitor the southern no-flight zone.]

In an interview published Monday in a Turkish newspaper, Mr. Aziz said: "The use of Incirlik air base by American planes to bomb Iraq is a blemish on Iraqi-Turkish relations. We must eliminate this blemish."

Foreign Minister Ismail Cem pledged before the talks that Turkey would not restrict U.S. use of Incirlik.

"It would not be a serious attitude to think that Turkey would simply close down Incirlik air base and therefore damage its ties with the United States just because someone requests us to do so," Mr. Cem said. "There is no possibility of creating a rift with the United States."

He added, however, that American and Turkish policies toward Iraq were not identical.

"The United States' priority, as they have declared, is to change the system in Iraq regardless of what happens," he said. "Our concern is our neighboring country's territorial integrity. We differ from America in this respect. This is very clear. Other than that, there isn't a rift."

A Foreign Ministry spokesman, Sermet Atacani, more explicitly ruled out Turkish cooperation in efforts to topple President Saddam.

"It is not in our tradition to make judgments as to how countries should be ruled, especially neighboring countries, and how they should be changed," Mr. Atacani said in Istanbul.

"We don't feel it is up to Turkey to take any steps to interfere in what we consider the internal affairs of a neighboring country. The United States may have a policy and is entitled to it. This is not our style or our policy."

Foreign diplomats posted in Ankara said that although Mr. Aziz's visit had irritated the Clinton administration, it had not produced any change in Turkish policy toward Iraq.

"Iraq is now more isolated than ever, especially since the death of King Hussein, and Turkey is about the only place the Iraqis can use to tell the world what's on their mind," an ambassador said.

"But Turkey has only one real friend and that's the United States."

"They're not going to do anything to upset that relationship. They've been quiet and they've suffered a lot for that friendship. Don't expect them to do anything that could create a split between the U.S. and Turkey."

Bombing Continues

U.S. and British planes continued Monday to pound targets in Iraq two months after December's Desert Fox bombing campaign, with no end in sight and no apparent change in policy on either side, Agency France-Press reported from Washington.

Since early January, Baghdad has increasingly challenged allied activity in the northern and southern no-flight zones imposed by the United Nations at the end of the Gulf War in 1991. The zones were designed to protect Iraq's Kurdish and Shiite populations.

The routine almost never changes: Iraqi anti-aircraft radars lock on to allied planes patrolling the zones or Iraqi planes provoke allied jets by venturing into the zones, where they are prohibited.

Other times Iraqi anti-aircraft batteries fire on allied planes.

The U.S. and British jets then strike back with missiles and bombs.

The Iraqi tactic seems to have had little success.

On Monday, a Pentagon spokesman, Lieutenant Colonel Jody Spencer, said that seven U.S. planes as well as an unspecified number of British aircraft had hit a surface-to-air missile site, two telecommunications sites and an anti-aircraft defense site in southern Iraq.

The Ministry of Defense in London confirmed that its planes had been involved.

In northern Iraq, a U.S. plane dropped a bomb on an anti-aircraft artillery site north of the city of Mosul after it was fired on, according to a statement from the U.S. military in Turkey.

Report of Iraq Deal Denied by Moscow

Reuters

MOSCOW — The government denied Monday a British newspaper report that it had signed a secret deal with Baghdad to upgrade Iraq's air defenses in violation of a UN embargo.

"Russia fully and meticulously adheres to its obligations under UN Security Council resolutions concerning Iraq," the government press office said.

"The allegations by the British press have clearly been initiated by those who would want to cast a shadow over Russia's course toward a political settlement of the Iraqi problem," it said.

The Sunday Telegraph reported Russia had signed arms deals with Iraq valued at more than \$100 million (\$163 million).

CHIRAC: A French Proposal

Continued from Page 1

of sites that could be used to make or store weapons of mass destruction.

As French officials explain the proposal, sophisticated outside monitoring of what Iraq did with the revenues from oil sales, plus television and satellite monitoring of the weapons sites, would provide effective warning of any new attempts by Baghdad to buy or manufacture components for nuclear, biological and chemical weapons.

In any case, Mr. Chirac and others say, any controls would be more effective than none, and that is all there is now inside Iraq. United Nations inspectors pulled out before the bombing, and Saddam Hussein has refused to let them back in.

The United States has rejected lifting the embargo. Continuing international pressure could encourage Iraqi opposition groups in exile or inside the country to rise up and overthrow Saddam Hussein, Washington says, but that is just wishful thinking, as Mr. Chirac sees it.

"Getting rid of Saddam Hussein is easily said, but very difficult to do," he said. But if the international community made clear it would let Iraq import more medicine, food, and other necessities if Saddam Hussein agreed to a new system of arms controls, the regime in Baghdad might feel more pressure to go along with them, Mr. Chirac said.

Both French and American military officials fear that the longer the current impasse continues, with American and British warplanes bombing Iraqi air defense sites almost daily, the greater the risk that eventually an American plane could be shot down and the crew lost or taken prisoner, bringing on a new international diplomatic crisis.

Mr. Chirac said he did not think that either the United States or an actor on the world scene or President Clinton personally had been gravely hurt by his impeachment and acquittal by the Senate.

"I don't see any weakening," Mr. Chirac said. "On the international stage, President Clinton has a good image, of someone who is likable, intelligent, cultivated, and has good judgment. All this means that President Clinton's authority has not been shaken at the international level."

The French leader's personal relationship with Mr. Clinton has been warm despite disagreements between the two countries on getting approval from the United Nations Security Council before going ahead with strikes against Iraq.

Mr. Chirac has recently been calling for stronger international representation in the International Monetary Fund and other international institutions to make sure that Europe and other regions continue to be heard despite America's dominant position in world affairs.

"It has long been obvious to me that Europe should take more responsibility for its own defense," he said of French successes in getting Britain and Germany to join France in working out arrangements for an independent European role within the North Atlantic Treaty Organization.

"What we don't want to do is create tensions with the United States."



VIVID PROTEST—Flames enveloping a Kurdish protester in Athens who set himself afire Monday to put pressure on the Greek government to offer political asylum to a Kurdish rebel leader, Abdullah Ocalan. The protester suffered serious burns to his hands and face; another demonstrator was also burned.

EUROPE: Businesses Fear Slowing Growth as Exports Slump

Continued from Page 1

this year (compared with 3.8 percent in the first quarter of 1998), Italy at 1.2 percent and France a bit better at 2 percent. For next year, 2000, the brokerage's overall European outlook gets worse.

Influenced by the founding first three months of Chancellor Gerhard Schröder's government, the mood in the banks and brokerages in the streets around the new European Central Bank is far from up-beat.

Eckhard Schulte, senior economist of the Industrial Bank of Japan (Germany), said that he felt Europe was "going through hard times" and that statements like the one from Mr. de Silguy were so far out of touch they were "undermining the credibility of the commission."

In fact, he asserted that Europe, as an open economy more dependent on exports than the United States, was particularly vulnerable to the effects of an external slowdown.

Illustrating this, capital-goods orders in Germany plummeted in the last quarter of 1998, while exports to the Netherlands, a leading trading partner, declined.

Exports to South Korea were off 45 percent in a year, and declines between 12 and 35 percent were registered for Singapore, Malaysia, Indonesia, Thailand and the Philippines, according to the federal statistical agency.

The reality of Europe suffering from the series of international financial

crises — in contrast to its politicians' assertions that EMU would provide shelter from them — has deeply affected business European confidence since the middle of last year.

This negative outlook accelerated, in the view of segments of the Frankfurt investment community, with the election of the Social Democratic government in Bonn last autumn and its perceived failure to offer business real prospects of tax cuts, freer labor markets and incentives to risk-taking.

Because consumer confidence is a lagging indicator, it grew in the second half of the year on the basis of good growth and some progress in lowering unemployment in the early part of 1998 — albeit to rates still above 10 percent in France and Germany.

Mr. Mayer said the crucial issue was whether declining business confidence would lead to new layoffs. Growing unemployment figures would hurt consumer confidence and rule out the possibility that domestic demand could compensate for the loss in exports.

"The fact is," Mr. Schulte said, "industrial confidence drives the cycle. The question is, will consumer confidence keep the economy going until the industrial cycle picks up. If sentiment stabilizes, that would be positive."

But he was not optimistic, and he projected a decline in the euro to a level of \$1.05 by the end of 1999, compared with about \$1.17 at the beginning of the year. Neither was Johannes Reich, who

heads equity research at B. Metzler & Sohn & Co., one of Frankfurt's oldest private banks. He said he saw the economies of the European "heartland" threatened by what he described as politicians' attempts to turn the European Central Bank into their instrument.

"Europe is going back to 1970s remedies to some extent," he said.

Referring to the German finance minister, he said, "Oskar Lafontaine points to the Fed as an example of policy-making, but it's an entirely false one because it uses a United States that has undergone deep structural reform and compares it with a Europe that is still waiting for its own."

"I don't see anything stimulating growth right now," Mr. Reich said, "and there are more risks in the offing."

Mr. Mayer of Goldman Sachs found the issue of labor-market flexibility and structural reform "the red line dividing Europe" between countries such as Ireland, the Netherlands and Finland, where there had been some, he said, and Germany, where he considered the new government was doing "the opposite, almost a mirror image, of what is needed."

Stressing Germany's disproportionate role in Europe's economic well-being, Mr. Mayer said, "If I were to wear my German hat, I'd be very, very negative." But, he added, better performances in some of the smaller countries "prevent the situation from looking totally bleak."

Mr. Mayer believes that at its bleakest — a worst-case set of circumstances — Europe could be pushed by political pressure from the governments in Germany and France toward a Japanese situation.

He defined that as one where interest rates had been cut to zero and monetary policy was no longer effective. If Europe were also to attempt to fire up its economy through budget-stimulus measures, Mr. Mayer said, a brief lift would be followed by a petering out and a limited net effect.

"What Japan shows you is that a lack of structural reform and heavy reliance on monetary and fiscal policy is a dead end," he said.

Deep structural reforms in Europe could create new demand, Mr. Mayer said, but with the present political lineup, "they are not going to come."

IRA Arms Row Delays Vote

New York Times Service

BELFAST — An emotional day-long debate Monday on disarmament of the Irish Republican Army disrupted the Northern Ireland Assembly, as Protestant and Roman Catholic leaders failed to approve the sweeping political changes that are supposed to end sectarian violence in this British province.

The 108-member Assembly, charged with enacting the peace agreement approved last year, had been scheduled to vote Monday afternoon on the changes, creating new governmental bodies that would give Northern Ireland's Catholic minority

more political power and would give the overwhelmingly Catholic Irish Republic more influence in northern affairs.

The new structures, including 10 government departments and six North-South cross-border cooperative bodies, would pave the way for the return to local politicians of home-rule powers that have been exercised by the British government since 1972.

The transfer of powers is to begin next month, but the disarmament issue threatens to block the transition. Monday's dispute focused on weekend comments by Prime Minister Bertie Ahern of the Irish Republic.

RAPE: Appeals Court's Acceptance of 'Denim Defense' Rekindles Furor in Italy

Continued from Page 1

instructor in the small town of Muro Lucano, 100 kilometers (60 miles) from Naples. She claimed that during a driving lesson, he drove her to an isolated spot, forced her to get out and raped her. He claimed that they had consensual sex in the car.

In the first trial, he was convicted of a lesser charge of indecent exposure in a public place. She appealed, and he was convicted on all charges — until the Supreme Court of Appeals threw out that conviction and ordered a new trial, which has yet to be scheduled.

Miss Mussolini helped draft the 1996 law that replaced ones written in the fascist era in the 1930s, under her grand-

father's rule and viewed rape as a "crime of honor" against the victim's family. Among other things, under the old laws a defendant could avoid punishment by marrying the victim or proving that she had had many other sexual experiences.

Miss Mussolini said she was "outraged" by the recent ruling. "That decision seemed like it came from 50 years ago," she said.

"The judges obviously have no sensitivity to the psychology of rape — no understanding of how victims think or how real life works," she added.

Politicians of all parties and virtually all of Italy's columnists and television commentators have echoed the same indignation. Aldo Rizzo, who wrote the

ruling and is one of the five judges who made it, said he was shocked by the reaction, which he said misunderstood the court's intent.

"Of course, saying that a woman can't be raped if she wears jeans is stupid, its ridiculous, its crutinous," Mr. Rizzo said angrily. "That's not what our ruling meant. We merely found that the appeals court had not provided sufficient evidence to uphold the sentence. There were holes in their argument, and it was our duty to point out the inconsistencies."

One inconsistency the judges noted was the fact that the afternoon of the rape, the victim returned to the driving school for a driving theory lesson. But there were other arguments raised by the court that proved just as inflammatory as the jeans.

BRIEFLY

Romanian Miner Given 18-Year Term

BUCHAREST — Romania's supreme court sentenced Miron Cozma, the militant miners' leader, to 18 years in jail on Monday over offenses in 1991 when he spearheaded a march that brought down the government, judicial sources said.

The union chief, who led a new march on Bucharest last month by thousands of miners from the central Jiu Valley, was also convicted of illegal possession of arms and undermining state authority.

Mr. Cozma had been jailed for 18 months over leading a miners' march on Bucharest in 1991, which turned violent and led to the collapse of the government of then Prime Minister Petre Roman. He was released in June 1998.

Mr. Cozma was kicked out of the far-right Romania Mare Party after the Jan. 18-22 aborted march on the Romanian capital, which ended only after he held personal negotiations with Prime Minister Radu Vasile.

The two men struck a deal that averted a threat by President Emil Constantinescu to declare a state of emergency to prevent the miners from continuing toward Bucharest. (AFP)

Baku's Ex-Minister Gets Life Sentence

BAKU, Azerbaijan — The supreme court sentenced the country's former prime minister to life in prison on Monday for his involvement in a 1994 coup attempt.

After a trial that lasted seven months, the court found former Prime Minister Suret Guseinov guilty on about 40 charges, including high treason for leading the coup attempt.

Mr. Guseinov, prime minister at the time of the attempted putsch, briefly seized control of parts of the former Soviet republic. But he fled to Russia when the coup collapsed, and was arrested outside Moscow in 1997 and extradited to Azerbaijan.

The court also found Mr. Guseinov guilty of organizing coup attempts in 1995 and 1996, while he was living in Russia, and of using the army to disperse 1993 protests. He was also convicted of stealing coins of historical value. (AP)

Ulster Peace Plan Faces a Key Test

BELFAST — Northern Ireland's peace process faced a key test Monday as politicians debated the creation of new power-sharing structures, in a process that has been deadlocked over whether to bar Sinn Féin from power until its IRA allies give up their guns.

The Irish Republican Army's guerrillas, who fought for decades against British rule, have so far refused to begin the disarmament called for in the peace agreement last year. Pro-British Protestant Unionist politicians say that the IRA's political wing Sinn Féin should be ruled out of the new administration.

"Without resolution of this issue there will not be sufficient trust within the political process to make that process work effectively," Seamus Mallon of the province's main Catholic nationalist SDLP party told its assembly. (Reuters)

Bonn Attacks Foes Of Citizenship Bill

BONN — The government took aim Monday at the conservative opposition for its campaign against efforts to liberalize Germany's citizenship law after the death of an Algerian asylum-seeker over the weekend.

In a thinly veiled jab at the Christian Democratic Union, Uwe Karsten Heye, a government spokesman, called on political parties to question whether their policies were contributing to anti-foreigner sentiment.

"We must do everything to ensure that tolerance toward our fellow citizens who are foreigners remains the norm in Germany," he said. "Above all, political parties must examine their own activities to make sure that anti-foreigner sentiment draws no nourishment from them."

The government said it was "horrified" at the death of Omar Ben Nouni, 28, in the eastern town of Guben, south of Berlin, on Saturday. (AP)

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1944-45

The following is a list of the names of the persons who have been appointed to the various positions in the various departments of the Government of the State of New York, for the year 1900.

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REPORT
TO THE
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Now, it's Wall Street's turn!

NYSE under the symbol **ZEPH**

DELPHI

Automotive Systems

The power to simplify.

TUESDAY, FEBRUARY 16, 1999

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Clear Sailing for Aerospatiale

Lagarde Agrees to Pay 2 Billion Francs for Stake

PARIS — Lagardere SCA agreed to pay as much as 2 billion francs (\$340 million) for a stake in Aerospatiale SA, clearing the way for France to sell shares in the company formed from merging Aerospatiale with Lagardere's defense unit.

The French Finance Ministry said that Lagardere would get a 33 percent stake in Aerospatiale, becoming the biggest industrial shareholder.

In return, Lagardere will give up its Matra Hantec Technologies defense unit as well as pay an initial 850 million francs. It will also make another payment of as much as 1.15 billion francs, to be determined by Aerospatiale-Matra's share performance.

France confirmed that it plans for the share sale to proceed in the first half of the year. The government needs to press ahead with plans to sell Aerospatiale to make it a more attractive partner to foreign companies such as DaimlerChrysler Aerospace AG, which have refused to merge with state-run companies.

"The public sector's share will be below 50 percent after the sale of shares," said the Finance and Transport Ministries in a joint press statement.

The government has said that it intends initially to sell about 20 percent of Aerospatiale-Matra to the public. After Lagardere gets one-third, that will leave the government with about 47 percent of Aerospatiale's shares.

The government has said it is willing to further reduce its holding, perhaps to zero, to make it easier for Aerospatiale to combine

with other companies that are currently unwilling to become partners with a state-owned company.

The French government is under pressure to act swiftly to ensure a role in Europe's defense restructuring after British Aerospace PLC last month bought General Electric Co. PLC's Marconi defense unit.

Aerospatiale-Matra will be the world's fifth-biggest civil and military aerospace group with annual sales of more than 80 billion francs.

Shares in the new company will be listed on the French stock exchange before mid-year, "if market conditions allow," the government's statement added.

Before the merger, Aerospatiale will transfer to the government its 4 percent stake in Thomson-CSF, valued at about 1.5 billion francs.

The government is anxious to complete the deal before European elections in June and the summer holidays, but the operation has been held up by disagreement over how much Lagardere should pay the government.

Aerospatiale-Matra, which expects sales of about \$13 billion, will make products ranging from Airbus planes to missiles and satellites to rank second in sales in Europe behind BAE-Marconi, which projects sales of \$20 billion.

Lagarde shares fell 82 cents Monday to 38.20 euros (\$42.95).

Last week, the CGT union accused the government of making an unwarranted "gift" of Aerospatiale to Lagardere, saying that Lagardere was expected to pay only 1.2 billion francs. (Bloomberg, AFP, Reuters)

BRITISH AEROSPACE



John Hamre, the U.S. deputy secretary of defense, right, chatting with Secretary-General Javier Solana of NATO at a defense ministers' meeting in December.

BAe's Marconi Purchase Now Viewed as 'Damaging'

By Joseph Fitchett
International Herald Tribune

MUNICH — When British Aerospace bought GEC-Marconi's defense electronics business last month to become Britain's sole major defense manufacturer, both companies described the \$13 billion deal creating the world's third-largest defense company as part of the consolidation of the European defense industry that could pave the way for future trans-Atlantic links in aerospace and other defense work.

A more negative interpretation has emerged in recent weeks, however, as U.S. and European defense officials and industrialists have concluded that the deal may actually have set back prospects for industrial integration among Britain, France and Germany — the European countries with significant defense industries.

By the same token, it could also hurt the chances for trans-Atlantic cooperation in armaments — a goal sought by Washington to help European companies achieve the market size and technology-sharing needed for all allied countries to be able to afford modern warplanes and other weapons of the sort used by U.S. forces.

Analyzing the British merger in this light, the U.S. deputy secretary of defense, John Hamre said, "I think that was a very damaging development, to be very honest."

President Bill Clinton's administration, he said at a recent meeting in Washington, wanted to see European companies obtain

enough U.S. market share and technology-sharing to be able to produce and afford modern warplanes and other weapons of a caliber used by U.S. forces but not yet within the means of European armies.

The British deal could work in the opposite direction, according to aides to Mr. Hamre, who said it could tempt defense industries elsewhere in Europe to turn inward and seek a protectionist Fortress Europe.

What Washington wants is more trans-Atlantic cooperation to foster competition, reduce costs and spread technology throughout the North Atlantic Treaty Organization, the officials said. Theoretically, the British merger could work that way, now that British Aerospace is suddenly big enough to play in the same league as the giant U.S. companies. Already it is generating 22 percent of its sales (\$2.6 billion) in the United States through companies such as the former Tracor, in Florida, that was taken over by GEC-Marconi and now belongs to British Aerospace.

What better candidate could be imagined for the first-ever major tie-up between the United States and Europe in this sector?

But the Clinton administration's view — shared by Prime Minister Tony Blair of Britain — is that the British Aerospace move has antagonized continental Europe so badly that any major U.S. link with the company would backfire by fueling even fiercer fears and

See DEFENSE, Page 13

Battling Microsoft, a Confident U.S. Ponders Post-Trial Sanctions

By Rajiv Chandrasekaran
Washington Post Service

WASHINGTON — The U.S. Justice Department and 19 American states are deeply involved in a complex policy debate about what sort of aggressive sanctions to seek against Microsoft Corp. in the event the government wins its groundbreaking antitrust case against the software behemoth, according to sources close to the government's strategy.

A corporate breakup or forced sharing of the secret computer code of the company's dominant Windows software are under active consideration, the sources

said. Either approach, if accepted by the federal judge hearing the case, could fundamentally realign the state of competition in the world's \$120 billion-a-year software industry, muting Microsoft's immense market clout and breathing energy into a host of new companies.

The tougher sanctions could encounter stiff resistance from some politicians and industry leaders, who would argue that regulators were punishing success and disabling one of the country's most innovative corporations.

Many observers of the trial say the odds are high that the judge will rule against Microsoft this year.

Stiff sanctions have been getting more consideration among government lawyers in recent weeks because they, as well as independent legal analysts, believe Microsoft has been stumbling in presenting its defense. The company's first three witnesses have made damaging admissions or have been forced to admit embarrassing mistakes on the witness stand, damaging the software giant's courtroom credibility.

The federal government alleges that Microsoft has engaged in a pattern of illegal business practices to maintain its monopoly with Windows, the software that functions as the central nervous system for almost 90 percent of the

world's personal computers. In particular, the government contends that Microsoft added its Internet "browsing" software to Windows to crush a rival, Netscape Communications Corp.

The discussion about remedies involves senior Justice Department officials, state attorneys general and economic advisers hired by the government and eventually could include the White House and congressional leaders.

A breakup, the ultimate sanction in American antitrust law, could happen in two ways, according to economists who have been studying the issue. Microsoft could be carved into one company that would sell only the Windows operating

system and one that would sell other Microsoft software products, such as word processors. The other approach would be to split the firm vertically into two or three nearly identical units, already dubbed "Baby Bills" in reference to the company's billionaire chairman, Bill Gates.

Countless questions remain unanswered on these options: Would it really create new competition? And which company would get Mr. Gates?

Under the code-sharing approach, viewed as a way to avoid the political fallout of a breakup, Microsoft would be

See MICROSOFT, Page 15



Bill Gates, chairman of Microsoft, testifying before Congress last year.

Thinking Ahead / Commentary

New Currency Ideas Miss the Point

By Reginald Dale
International Herald Tribune

WASHINGTON — Suddenly, national currencies are no longer sacred. Argentina is thinking of replacing its peso with the U.S. dollar, while a Canadian historian predicts that Canada's dollar "will disappear in our lifetime."

Europeans in 11 countries are trading in their once-cherished national moneys for the euro, and others around the world are wondering whether their currencies are not too small to be de-

tion of euro bills and coins be accelerated; Sweden and Denmark, who chose to stay out, are having second thoughts.

At the same time, the Asian crisis and its ramifications have destroyed many people's faith in national currencies that previously seemed relatively stable.

In a world in which huge capital flows can surge freely across frontiers, many are wondering whether their currencies are not too small to be de-

boards, or completely free floats — not half-baked schemes in between.

Currency pegs can actually be dangerous when, as in the case of Thailand and Brazil, governments try to make the exchange rate the prime instrument for combating inflation without implementing the necessary domestic reforms to back it up.

But many of the proposed solutions are unrealistic. Most of those who glibly call for regional imitations of the euro fail to understand the depth and complexity of the foundations on which the new European currency was built.

The euro would not have been possible without years of painstaking economic convergence between like-minded countries, trading predominantly with each other and committed to pooling sovereignty in some form of political union. Nowhere else in the world do those conditions exist.

Closer links among the euro, the yen and the dollar fall into the difficult middle ground between fixed and floating exchange rates. The idea is quite rightly opposed by Washington on the grounds that participants would often shrink from the necessary steps to align their currencies — for example, raising interest rates in a recession.

But the broader lesson of recent events is that countries should beware of trying to treat the symptoms of a sick economy, weak exchange rates, rather than the sickness itself.

If they want stable currencies, governments should concentrate on medicines that are known to work — such as good fiscal discipline and the establishment of strong and independent central banks. If domestic policies are right, exchange rates should be better able to take care of themselves.

E-mail address: Thinkahead@iht.com

CURRENCY RATES

Cross Rates				Feb. 15				Other Dollar Values				Feb. 12			
	\$	£	SF	Yen	CS	Dane	Greek	Swede							
London (to)	1.6285	—	2.3155	188.13	2.4315	10.7805	444.45	12.4589							
New York (to)	—	—	—	—	—	—	—	—							
Tokyo	114.05	186.14	80.52	—	76.47	17.31	N.Q.	14.52							
Toronto	1.6734	2.4293	1.0504	1.2929	—	0.2255	0.5213	0.1889							
Zurich	1.423	2.3127	—	1.23	0.932	21.4701	0.4958	0.1779							
One euro	1.1238	0.6895	1.595	129.31	1.6781	7.4348	321.90	8.8815							
One SDR	1.2843	0.8524	1.9734	158.54	2.0485	9.1294	393.33	11.12							
Source: Bank of Tokyo-Mitsubishi (Tokyo) Royal Bank of Canada (Toronto) Banque de France (Paris) IMF (SDG). Other data from Reuters.															
Euro Values															
Fixed rates of the EMU member currencies, for sale only:															
Austria (to)	13.7603	—	—	—	—	—	—	—							
Belgium (to)	40.3399	—	—	—	—	—	—	—							
France (to)	6.5595	—	—	—	—	—	—	—							
Germany (to)	1.93637	—	—	—	—	—	—	—							
Greece (to)	166.366	—	—	—	—	—	—	—							
Ireland (to)	7.87564	—	—	—	—	—	—	—							
Italy (to)	20.3606	—	—	—	—	—	—	—							
Netherlands (to)	2.20371	—	—	—	—	—	—	—							
Portugal (to)	200.482	—	—	—	—	—	—	—							
Spain (to)	166.366	—	—	—	—	—	—	—							
United Kingdom (to)	1.93637	—	—	—	—	—	—	—							
Finland (to)	5.94573	—	—	—	—	—	—	—							
Sweden (to)	1.93637	—	—	—	—	—	—	—							
Denmark (to)	1.93637	—	—	—	—	—	—	—							
Other EMU currencies	1.93637	—	—	—	—	—	—	—							
Source: Bank of Tokyo-Mitsubishi (Tokyo) Royal Bank of Canada (Toronto) Banque de France (Paris) IMF (SDG). Other data from Reuters.															

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INTERNATIONAL

Iberia Joins Oneworld Airline Group

Compiled by Our Staff From Dispatches

SYDNEY — Iberia Airlines of Spain has joined the Oneworld airline alliance, expanding the group's membership to seven as it competes with the Star Alliance for global pre-eminence, executives said here Monday.

The addition of Iberia means the alliance, which also comprises British Airways, American Airlines, Qantas Airways Ltd. of Australia, Cathay Pacific Airways Ltd. of Hong Kong, Canadian Airlines and Finnair, will carry a projected 206 million passengers a year to 680 destinations in 143 countries.

Last week, British Airways and

American Airlines announced their joint acquisition of a 10 percent stake in the Spanish airline ahead of its imminent privatization.

The growth of Oneworld comes as the Star Alliance, which is led by United Airlines and Lufthansa, moves to expand by integrating Ansett Holdings Ltd., Australia's second-ranking airline, and Air New Zealand Ltd., New Zealand's largest airline, into its ranks.

Alliances such as these are intended to give customers advantages such as linked frequent-flyer programs and seamless transfers between lines across a global network.

Iberia's inclusion in Oneworld was announced at a news conference here after the first meeting of the governing board of chief executives of all seven alliance airlines, including Iberia's chairman and chief executive, Xabier de Irala. As in the case of Finnair, which joined after the original five carriers formed the alliance, Iberia will offer Oneworld benefits later in the year, after a training course for its 25,000 employees.

"Alliances will be vital for Iberia in the increasingly competitive airline environment of the 21st century, and we are very pleased to join the world's leading alliance," Mr. de Irala said. He

Note to Readers

Financial markets in the United States were closed Monday for the Presidents' Day holiday.

said Iberia brought benefits to the alliance such as a 70 percent share of the Spanish market and a leading share of traffic between Europe and South America.

James Strong, chief executive of Qantas, when asked whether negotiations were under way with other airlines, said others would be approached but said the alliance was concerned with the quality of its product rather than expansion for its own sake.

(AFP, Bloomberg)

Mistrust at Full Throttle

Some Say Strong Self-Image Makes Pilots Militant

By Laurence Zuckerman
New York Times Service

NEW YORK — A senior pilot at American Airlines works about 14 days a month and can earn more than \$200,000 a year. Forced by federal law to retire at age 60, that pilot receives a lifelong pension and a lump-sum payment that in some recent cases has reached \$3 million.

Yet hundreds of American pilots called in sick last week to vent their rage at the airline's management, forcing the cancellation of thousands of flights and inconveniencing hundreds of thousands of passengers.

Their anger was not unusual. Last September, striking pilots grounded Northwest Airlines for nearly three weeks; and pilots at Federal Express Corp. threatened for a time to disrupt the peak Christmas delivery season.

Why are some of America's best-paid and most highly respected workers among its most militant? Some answers can be found in the pilots' central role in the airline industry and in past labor conflicts that have left the pilots with a deep distrust of management.

But it is just as important to look at the character traits of the pilots themselves. Members of a skilled elite, pilots both individually and as a group often exhibit a self-confidence that some industry executives say borders on arrogance.

"They really think that they are at the center of the universe," said an executive at a major airline who regularly negotiates with the pilots and therefore insists on anonymity. "They are people who are trained to think in terms of right and wrong. They are not trained to tolerate ambiguity."

Many of America's pilots returned to work Sunday, a day after a federal judge cited their union for contempt for disobeying his order to end their "sick-out" and ordered the union to set aside \$10 million to pay damages. The number of flights that American had to cancel fell and disruptions appeared to subside at many major airports.

But the union and the airline, which were to hold a negotiating session Monday, are still far from reaching a settlement on the main issue in the dispute: how American will integrate Reno Air, a small airline it bought in December to expand its presence in the West. Some pilots said the airline's operations were likely to continue to suffer because many

pilots would strictly adhere to work rules, such as by refusing to work overtime, until an agreement was reached.

In his ruling, U.S. District Judge Joe Keenan in Dallas trivialized the pilots' differences with management and called their sick-out a "shakedown" worthy of organized crime.

But to the pilots, American's handling of the Reno Air purchase was the latest in a series of deceitful moves by the company designed to squeeze more work out of them and erode their job security. They accuse the airline of violating the clause in their contract that guarantees that all flying at American will be done by members of their union, the Allied Pilots Association.

The 300 pilots at Reno Air, which has 25 planes, are represented by the rival Air Line Pilots Association and earn much less than their counterparts at American.

"It's a great job, and I love it, but I don't want it to become a bad job," said one American pilot who had participated in the sickout and who spoke on condition that he not be identified.

Pilots themselves have never been an easy group for airline executives, or anyone else, to deal with. Many learn to fly in the military, where even early in their careers they are part of an elite corps. To large degrees, their exalted status is reinforced by the traveling public. One major airline

recently surveyed public attitudes toward pilots' pay and found most people were not offended that airline pilots were making \$200,000 a year. Those surveyed felt that pilots, like heart surgeons, should be well compensated because they wanted to see those professions attract the most competent people.

Yet at the same time, the job itself has become more mundane. Commercial jets have become more automated, requiring less actual flying skill. In any case, airline pilots cannot rise on merit. They move from second officer to first officer to captain, earning progressively higher pay, based on their years at the airline.

"They are for the most part overachievers, but they can't show their skill," said a second-airline executive, who also insisted on anonymity for fear of jeopardizing relations with the pilots at his carrier. "They can't move to another airline because of seniority. All they can do is sit around and complain about their 'deal.' The deal becomes the way they measure their progress."

DEFENSE: Officials Now Criticize Bae's Purchase of GEC-Marconi Electronics Unit

Continued from Page 11

resentment throughout NATO and aggravating the risk of protectionism on arms in the European Union, according to U.S. industrialists and officials.

A special complication arises from the fact that Britain is the only major European nation whose military industries are trusted to protect sensitive U.S. technologies by the Pentagon, which recently produced a list grading allied nations on this point.

Conceived as a useful guide by officials in Mr. Hamre's department, the list was quickly quashed as a diplomatic embarrassment to the Clinton administration. Critics said that the document, which circulated briefly before being withdrawn, offered tangible evidence of entrenched U.S. bureaucratic hostility to foreign companies — an attitude often cited by European allies to explain why their arms companies have never been able to find a significant foothold in the U.S. defense market.

The two problems — U.S. caution about sharing its technology and the distrust among Europe's defense companies — raise deep doubts about European companies' chances of getting enough technological access and market share to thrive and therefore about the allies' ability to keep up with the United States in their armed forces' weapons and tactics, according to U.S. and European officials and executives who discussed the issue at the Munich Security Conference, a

two-day meeting early this month of military specialists.

In particular, fears were aired at the meeting that, as a German executive put it, "British Aerospace has simply become too big and too strong to fit into a mosaic with the defense companies in Germany and France and too controversial to serve as a vehicle for U.S. risks."

Crucially, the deal between British Aerospace and GEC-Marconi brought together under a single management all the key components needed to produce all the key components of major weapons systems from warplanes to radar surveillance. The result was "vertical integration" of most of Britain's cutting-edge defense technologies.

Already, the British deal has damaged Mr. Clinton's hopes of a major initiative on defense cooperation at the Washington summit meeting to mark NATO's 50th anniversary in April.

Initially, U.S. sources said, the White House sought to roll out a major industrial merger that would signal U.S. determination to close the widening technological gap between the United States and its allies. In practice, they said, that deal would have been a purchase by Lockheed Martin Corp. of GEC-Marconi. "Now it's too late," a U.S. aerospace executive said.

The Clinton administration does not yet have a formal policy on transatlantic mergers and acquisitions, but "now Washington may have to rethink its intuitive strategy about how to

foster broader industrial cooperation in the alliance," a U.S. official said.

Until now, Washington hoped that the cross-border mergers among British, French and German companies would produce a pattern of interlocking European companies that could team up with different U.S. partners.

But that approach could be a dead end if the British Aerospace deal splits Europe into rival industrial blocs pitting Britain against France and Germany, officials said, because British companies would no longer function as potential vehicles for transferring U.S. technology into the European industry as a whole.

Britain's crucial position in this regard was thrown into sharp relief when Mr. Hamre's list briefly surfaced and showed allied countries being graded and put into three categories according to their reliability in protecting U.S. military technology.

The "A" category — reliable partners — included Britain, Norway and the Netherlands plus a single non-European ally, Australia. Among the other major arms-producing countries, Germany got a "B" — like Japan, according to a U.S. industrialist familiar with the now-withdrawn Pentagon list.

France was rated "C," meaning in practice that it would be almost impossible for a French company to team up with a U.S. defense contractor involved in cutting-edge projects, according to U.S. officials in Munich. Distrust of France in this domain,

they said, arose from U.S. suspicions that for many years Paris had engaged in industrial espionage against U.S. defense companies to obtain secrets about electronic warfare and other military technologies that were incorporated into French weaponry and sometimes exported to other countries in competition with U.S.-made arms.

Given such nationalist-sounding attitudes on both sides of the Atlantic, globalization may prove impossible in the arms industries, participants in the Munich meeting said.

For example, when British participants privately described the British Aerospace acquisition as an action in Britain's national interest, French officials, speaking on condition of anonymity, acknowledged that French criticism of the deal was only lip service to the theme of European unity and that the real reaction in Paris was delight. The British move, one French official said, was a useful precedent helping France defend vertical integration in its own defense sector to produce one or two national champions intended to dominate the European industry.

DaimlerChrysler Aerospace AG of Germany remains alone, dwarfed in size and capability by both Britain and by a planned French conglomerate that the government has said will be built around Matra SA, the privately owned electronics manufacturer, and include Dassault Aviation SA, the fighter-plane builder, and Aerospatiale, the state-owned defense giant.

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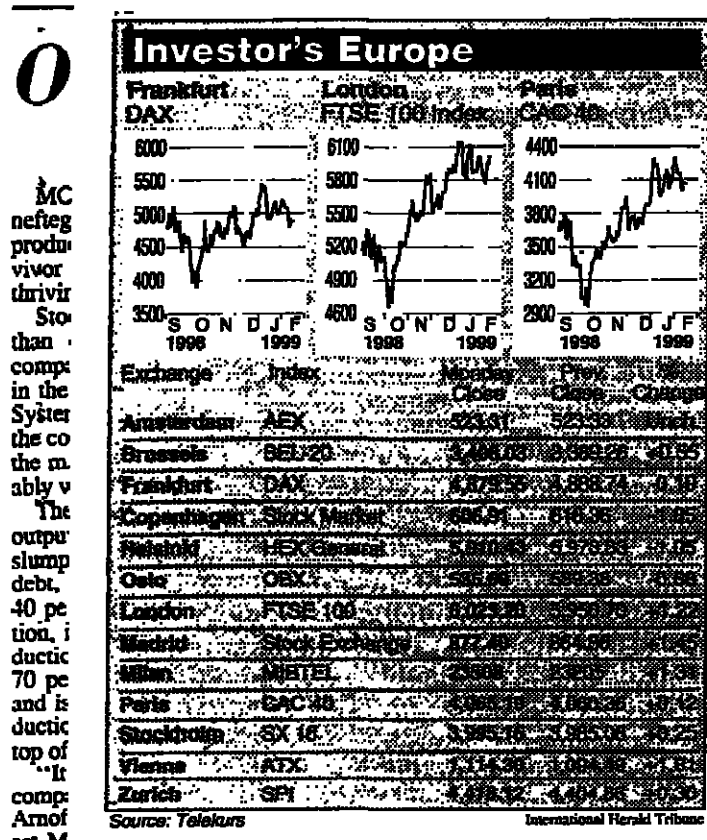
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Very briefly:

- Italy's industrial output fell a more-than-expected 6.1 percent in December, the second consecutive monthly decline, as production of wood products, metals and machinery fell. It fell 7.6 percent from a year ago, compared with a year-to-year drop of 0.5 percent in November.
- Valora Holding AG, a Swiss retailer and Europe's No. 1 maker of bedding, agreed to buy most of Fotobello SA and said it would bid for the rest in an offer that values the Swiss photograph developer at 427.5 million Swiss francs (\$302 million).
- ACS Construcción SA, a Spanish construction company, agreed to buy a controlling stake in Continental Arto, one of Spain's largest passenger bus companies, for as much as 33 billion pesetas (\$223 million).
- Europe's single-currency area of 11 nations had an overall current account surplus of 21.8 billion euros (\$24.6 billion) in the third quarter of 1998, down from a 25.2 billion euro surplus in the previous quarter.
- Flextech PLC, a British supplier of pay-TV channels, and the British Broadcasting Corp., Britain's publicly funded broadcaster, are facing a European Union investigation into whether their joint venture restricts competition in the British and Irish TV markets.

Credit Suisse Expands U.S. Assets Role

ZURICH — Credit Suisse Group said Monday it had agreed to buy Warburg Pincus Asset Management Inc. for \$650 million to try to expand in the United States.

The acquisition of the asset-management arm of Warburg Pincus & Co., which is expected to be completed by mid-year, will lift Credit Suisse's assets under management by more than \$22 billion, to \$680 billion, the bank said.

Credit Suisse and other banks are reducing their exposure to risky businesses such as emerging markets trading and focusing more on asset management and private banking, where earnings are more predictable. Merrill Lynch & Co. recently paid about \$5 billion for Mercury Asset Management Group PLC, the biggest fund manager in Britain, to create the world's No. 3 asset manager.

Volvo and Navistar Keep Quiet on Takeover Talk

BLOMBERG NEWS — GOTHENBURG, Sweden — Volvo AB and Navistar International Corp. declined to comment Monday on a published report that the Swedish company was considering buying the U.S. truckmaker.

The acquisition of Navistar, which has annual sales of \$7.9 billion, would double Volvo's share of the North American truck market. The Financial Times said in an article Monday that cited unidentified sources close to the talks.

Volvo had 11.5 percent of the U.S. market for heavy trucks in 1998. Volvo, which agreed to sell its car division to Ford Motor Co. last month for \$6.5 billion, wants to expand its trucks, buses and construction equipment businesses. It unexpectedly bought a 14 percent voting stake in Scania AB, its Swedish rival, last month and said it wanted to buy the rest.

"We showed, through our purchase of Scania shares, that we want to take part in the restructuring of the industry," said Mats Edenberg, a Volvo spokesman. He added: "We can't comment on speculation."

Navistar, which makes international-brand trucks, has reorganized its truck and engine-making business in the past eight years to meet increased competition from bigger companies, such as DaimlerChrysler AG's Freightliner, the world's largest truckmaker, and Paccar Inc.

"Navistar would be a good deal — it seems to be undervalued from a European perspective," said Marc Goguet, an analyst at BNP Paribas in Paris. Navistar shares are trading at 5.8 times earnings before interest and taxes, compared with an industry average of 9.5, he said.

Navistar shares have almost quadrupled in the past two years, as the company has benefited from strong demand for medium-sized trucks, school buses and heavy trucks. The company has said it has been unable to keep up with demand for heavy trucks.

Based in Chicago, Navistar was previously a diversified industrial company called International Harvester, though a recession and six-month strike by the United Auto Workers union sent it to the edge of bankruptcy in 1980. It changed its name to Navistar International after selling its construction equipment and agricultural equipment divisions.

Navistar has a market value of about \$2.33 billion and employs 17,600 people at plants in the United States, Mexico and Brazil.

Norsk Hydro to Cut 1,500 Jobs as Net Sags 28%

OSLO — Norsk Hydro A/S announced Monday a 28 percent drop in net profit for 1998 and said it would cut 1,500 jobs by the summer of 2000 as it restructures.

The Norwegian oil and chemical company said net profit amounted to 3.8 billion kroner (\$496.5 million), down from 5.2 billion kroner in 1997. Pretax profit fell to 5.8 billion kroner from 10.3 billion in 1997. Revenue was steady at 97.5 billion kroner.

Norsk Hydro said its results in 1998 had been strongly affected by a slowing of growth in the global economy that had led to sharp declines in prices for crude oil, fertilizer and petrochemical products.

The company added that these effects were partly offset by a substantial gain from a securities sale and a lower effective tax rate.

The company's chief executive, Egil Myklebust, said Norsk Hydro was considering selling or seeking partnerships for noncore activities.

"Hydro has a very, very difficult environment to work in," said Susan Graham, an analyst at Merrill Lynch in London, who has a neutral recommendation on Hydro. "Their actions are in line with what a lot of other commodity companies are doing."

The staff cuts are part of a restructuring program aimed at saving 2.5 billion kroner over the next three years. The cuts would be split equally between hired consultants and Norsk Hydro's employees, mainly in Norway and especially within oil and gas, Mr. Myklebust said.

Norsk Hydro said it was examining a new ownership structure for its salmon-farming company Hydro Seafood and would evaluate the situation for a number of other smaller units that have "shown superb results."

But Mr. Myklebust stressed that no time limits had been put on the sale and that the company was not interested in "holding a garage sale."

Internet Helps Boost France Telecom Sales

PARIS — France Telecom SA said Monday its fourth-quarter sales rose 8.3 percent, driven by cellular phone use and Internet traffic.

Sales rose to 43.32 billion francs (\$7.5 billion), from 40 billion francs in the year-earlier quarter.

With 60 rivals, including MCI WorldCom Inc., crowding France's \$7.3 billion long-distance and international phone market, the state-controlled company is counting on rising use of mobile phones and the Internet to maintain sales growth.

"This shows the company has put in place its new motors for growth," said Bernard Lechar, an analyst at Wargny, who recommends investors buy the stock.

The former French phone monopoly said that for all of 1998, sales rose 5.2 percent, to 24.6 billion euros (\$27.5 billion) from 23.4 billion euros in 1997.

But while mobile phone turnover soared 43.7 percent to 24.5 billion francs, turnover from fixed-line phones fell 3.7 percent to 93.6 billion francs.

France Telecom shares rose 50 euros to 80.50 euros.

WORLD STOCK MARKETS

Monday, Feb. 15			
Prices in local currencies			
in euros for ECU countries			
	High	Low	Close
Amsterdam			
Amst. AEX	150.10	149.10	149.10
Amst. AEX-100	150.10	149.10	149.10
Amst. AEX-200	150.10	149.10	149.10
Amst. AEX-300	150.10	149.10	149.10
Amst. AEX-400	150.10	149.10	149.10
Amst. AEX-500	150.10	149.10	149.10
Amst. AEX-600	150.10	149.10	149.10
Amst. AEX-700	150.10	149.10	149.10
Amst. AEX-800	150.10	149.10	149.10
Amst. AEX-900	150.10	149.10	149.10
Amst. AEX-1000	150.10	149.10	149.10
Amst. AEX-1100	150.10	149.10	149.10
Amst. AEX-1200	150.10	149.10	149.10
Amst. AEX-1300	150.10	149.10	149.10
Amst. AEX-1400	150.10	149.10	149.10
Amst. AEX-1500	150.10	149.10	149.10
Amst. AEX-1600	150.10	149.10	149.10
Amst. AEX-1700	150.10	149.10	149.10
Amst. AEX-1800	150.10	149.10	149.10
Amst. AEX-1900	150.10	149.10	149.10
Amst. AEX-2000	150.10	149.10	149.10
Amst. AEX-2100	150.10	149.10	149.10
Amst. AEX-2200	150.10	149.10	149.10
Amst. AEX-2300	150.10	149.10	149.10
Amst. AEX-2400	150.10	149.10	149.10
Amst. AEX-2500	150.10	149.10	149.10
Amst. AEX-2600	150.10	149.10	149.10
Amst. AEX-2700	150.10	149.10	149.10
Amst. AEX-2800	150.10	149.10	149.10
Amst. AEX-2900	150.10	149.10	149.10
Amst. AEX-3000	150.10	149.10	149.10
Amst. AEX-3100	150.10	149.10	149.10
Amst. AEX-3200	150.10	149.10	149.10
Amst. AEX-3300	150.10	149.10	149.10
Amst. AEX-3400	150.10	149.10	149.10
Amst. AEX-3500	150.10	149.10	149.10
Amst. AEX-3600	150.10	149.10	149.10
Amst. AEX-3700	150.10	149.10	149.10
Amst. AEX-3800	150.10	149.10	149.10
Amst. AEX-3900	150.10	149.10	149.10
Amst. AEX-4000	150.10	149.10	149.10
Amst. AEX-4100	150.10	149.10	149.10
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Amst. AEX-4300	150.10	149.10	149.10
Amst. AEX-4400	150.10	149.10	149.10
Amst. AEX-4500	150.10	149.10	149.10
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Amst. AEX-5100	150.10	149.10	149.10
Amst. AEX-5200	150.10	149.10	149.10
Amst. AEX-5300	150.10	149.10	149.10
Amst. AEX-5400	150.10	149.10	149.10
Amst. AEX-5500	150.10	149.10	149.10
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Amst. AEX-6000	150.10	149.10	149.10
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Amst. AEX-6700	150.10	149.10	149.10
Amst. AEX-6800	150.10	149.10	149.10
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Amst. AEX-7000	150.10	149.10	149.10
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Amst. AEX-7200	150.10	149.10	149.10
Amst. AEX-7300	150.10	149.10	149.10
Amst. AEX-7400	150.10	149.10	149.10
Amst. AEX-7500	150.10	149.10	149.10
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Amst. AEX-8200	150.10	149.10	149.10
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Amst. AEX-8400	150.10	149.10	149.10
Amst. AEX-8500	150.10	149.10	149.10
Amst. AEX-8600	150.10	149.10	149.10
Amst. AEX-8700	150.10	149.10	149.10
Amst. AEX-8800	150.10	149.10	149.10
Amst. AEX-8900	150.10	149.10	149.10
Amst. AEX-9000	150.10	149.10	149.10
Amst. AEX-9100	150.10	149.10	149.10
Amst. AEX-9200	150.10	149.10	149.10
Amst. AEX-9300	150.10	149.10	149.10
Amst. AEX-9400	150.10	149.10	149.10
Amst. AEX-9500	150.10	149.10	149.10
Amst. AEX-9600	150.10	149.10	149.10
Amst. AEX-9700	150.10	149.10	149.10
Amst. AEX-9800	150.10	149.10	149.10
Amst. AEX-9900	150.10	149.10	149.10
Amst. AEX-10000	150.10	149.10	149.10

Markets Closed

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100.00	98.00	98.50	100.00
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ASIA/PACIFIC

Japan's Surplus in '98 Soared To Record as Imports Slid

Compiled by Our Staff From Dispatches

TOKYO — The current-account surplus in Japan's trade balance surged to a record in 1998, mainly because its ailing economy lost its appetite for imports, government figures showed Monday.

But growth in the surplus slowed in December, prompting the government to declare that it was on a declining trend. The current-account surplus is the broadest measure of trade in goods and services.

Nonetheless, analysts warned that the imbalance would aggravate trade friction, particularly with the United States, which announced preliminary anti-dumping duties on Japanese steel imports Friday.

"Since the U.S. economy will likely slow down soon, political pressure to revive the Japanese economy will certainly increase," said Susumu Takahashi, chief economist at the Japan Research Institute.

The current-account surplus grew 38.7 percent for the year, to 15.86 trillion yen (\$139.10 billion), the highest since the government began collecting data by the current method in 1985, the Finance Ministry said.

Within the current account, the surplus in merchandise trade widened 29.9 percent, to 15.99 trillion yen, the ministry reported.

For December, the current-account surplus grew 13.3 percent from a year earlier to 1.46 trillion yen, with the trade surplus up 10.2 percent to 1.56 trillion yen, the ministry said. That was down sharply from the year-on-year increases of 40 percent to 70 percent seen in the current-account surplus for much of last year.

The surplus was a bit smaller than expected in December, largely because of a decline in the income balance, indicating withdrawals from foreign markets by Japanese investors, said Hiroshi Kuribayashi, an economist at Barclays Capital Japan Ltd.

The December income balance was 488 billion yen, down from 634 billion yen in November and 524 billion yen in December 1997.

The chief cabinet secretary, Hiromu Nonaka, said he expected the large economic stimulus packages implemented by the government in recent months to contribute to an increase in imports.

He also said at a news conference that it was unlikely Japan's exports would grow further, considering the economic stagnation in much of Asia, the rising number of Japanese companies manufacturing products overseas

and Japan's own economic restructuring needs.

Together, those factors could keep the surplus from growing further this year.

Matthew Poggi, an economist at Lehman Brothers Japan Inc., predicted that Japan's exports would decline this year as the impact of the yen's recent strengthening showed up in the next six to nine months.

"It doesn't look like the external side will contribute as much to economic growth in future periods as it has in the last year or so," Mr. Poggi said.

(Reuters) AFP, Bloomberg

Canon Profit Off 8%; Yen's Rally Hurts It

Bloomberg News

TOKYO — Canon Inc. said Monday that difficult economic conditions at home led to an 8 percent drop in net profit for 1998.

The largest Japanese maker of office equipment also provided a bleak outlook for the current year, predicting that group net income would fall by more than a third in 1999 because of the stronger yen, increased competition and a decline in Japanese demand for copiers.

Canon said profit for the year that ended Dec. 31, 1998, fell to 109.57 billion yen (\$959.3 million), 12 percent below its forecast of 125 billion yen. A tax charge of 8 billion yen pulled profit down for the first time in four years, even though sales rose 2.4 percent, to 2.83 trillion yen.

The company expects profit for calendar 1999 to fall to 70.0 billion yen, down 36.1 percent from 1998, on sales of 2.86 trillion yen, up 1.2 percent.

The forecast is based on a projected average exchange rate of 115 yen to the dollar.

Canon shares closed up 30 yen at 2,430. The results were

announced after trading ended.

Canon could beat its forecast because of growing worldwide demand for digital cameras and computer peripherals such as printers and scanners, some analysts said.

"The bad news has already been reflected and the numbers are catching up with the share price," said Alan Bell, an analyst at Schroders Japan Ltd. "Canon is also going to roll out a significant number of digital cameras for the first time."

The company's group earnings include parent company income and the results for its 150 affiliates in which it holds at least a 20 percent stake.

Canon got 73 percent of its group sales from customers overseas, making it vulnerable to a rise in the value of the yen, which dilutes revenue brought back to Japan. The yen has risen 16.4 percent against the dollar since Sept. 30. A one yen rise against the dollar cuts full-year group sales by 11.8 billion yen and cuts pretax profit by 4.6 billion yen, according to Canon's chief financial officer, Toshizo Tanaka.

Investor's Asia

Index	1998	1999	Change
Nikkei 225	14,054.72	13,978.69	-0.53
Hong Kong	9,402.39	9,425.42	+0.24
Shanghai	1,361.15	1,354.85	-0.46
ASX	2,877.68	2,889.50	+0.40
FTSE 100	4,054.72	4,054.72	0.00
DAX	3,445.95	3,445.95	0.00
IBEX 35	3,445.95	3,445.95	0.00
Composite Index	3,445.95	3,445.95	0.00
Stock Market Index	3,445.95	3,445.95	0.00
Commodity Index	3,445.95	3,445.95	0.00
Real Estate Index	3,445.95	3,445.95	0.00
Technology Index	3,445.95	3,445.95	0.00
Healthcare Index	3,445.95	3,445.95	0.00
Financial Index	3,445.95	3,445.95	0.00
Consumer Goods Index	3,445.95	3,445.95	0.00
Industrial Index	3,445.95	3,445.95	0.00
Energy Index	3,445.95	3,445.95	0.00
Transportation Index	3,445.95	3,445.95	0.00
Telecommunications Index	3,445.95	3,445.95	0.00
Media Index	3,445.95	3,445.95	0.00
Services Index	3,445.95	3,445.95	0.00
Government Index	3,445.95	3,445.95	0.00
Healthcare Index	3,445.95	3,445.95	0.00
Financial Index	3,445.95	3,445.95	0.00
Consumer Goods Index	3,445.95	3,445.95	0.00
Industrial Index	3,445.95	3,445.95	0.00
Energy Index	3,445.95	3,445.95	0.00
Transportation Index	3,445.95	3,445.95	0.00
Telecommunications Index	3,445.95	3,445.95	0.00
Media Index	3,445.95	3,445.95	0.00
Services Index	3,445.95	3,445.95	0.00
Government Index	3,445.95	3,445.95	0.00

Very briefly:

- China's exports plunged almost 11 percent in January after a brief rebound in December. The official media blamed fragile world demand amid the Asian crisis. The figures indicated that the country's exports still have a way to go before recovering from 1998, when China turned in its worst trade performance in 15 years.
- Philippine Airlines' loss reached a record 9.98 billion pesos (\$250 million) for the first nine months of its financial year ending in March. The carrier plans to sell its maintenance and engineering operations to pay off its creditors and avoid a shutdown.
- Samsung Motors Inc. employees will return to work in South Korea this week, ending a 70-day strike over job security.
- Thai Airways International PCL posted a net profit of 6.28 billion baht (\$170 million) for the last three months of 1998, mostly from a foreign-exchange windfall.
- Japan's corporate bankruptcies in January dropped 33.2 percent from a year earlier, to 1,003 cases. This followed a 26.6 percent fall in December from a year earlier.
- Malaysia's inflation in January posted its fastest increase in 11 months as food prices surged after the end of the Ramadan month of daytime fasting. Prices rose 0.9 percent in January from a month earlier, compared with a 0.2 percent increase in December.
- Guangzhou Finance Co., the Chinese state investment trust, denied reports that its Hong Kong arm was due to be liquidated because of financial problems. News reports led Hong Kong regulators to suspend trading in shares of one of its subsidiaries, GZFC Hualing Co.



Hong Kongers waiting in line to go to mainland China for the new year. Some, especially retail workers, may find their jobs no longer exist when they return.

Hong Kong Layoffs Predicted With Tourism Weak, Thousands of Jobs Could Vanish

By Joshua Fellman and Anh-Thu Phan
Bloomberg News

HONG KONG — Thousands of Hong Kong people will return from the most important holiday in the Chinese calendar to find their employers have closed shop and their jobs are gone, economists and business executives say.

As many as 20,000 people could lose jobs in the two months after this week's Lunar New Year holiday, they said. That could push the unemployment rate as high as 6.4 percent — from the current record of 5.8 percent — in a city already battling its deepest recession in a generation.

Many of the losses will come in the retail industry, already suffering as tourists from struggling Asian economies shun the city as too expensive and its 6.6 million residents spend less as the economy slows. Retail sales have fallen for 13 months and show no signs of picking up soon.

"After the Chinese new year, I wouldn't be surprised if unemployment in the retail sector went up to 10 percent because of shops closing and people being thrown out of work," said Philip Ma, chairman of the Retail Management Association and group managing director of Sincere Co., a department-store

chain. As the Year of the Rabbit ushers out the Year of the Tiger, unemployment is already high among retail workers, many of whom are shifting to other types of business.

The retail industry was hit early by the recession, with Yaohan Hong Kong Corp.'s chain of 10 department stores going bankrupt in 1997. Several other fashion retailers closed shop and laid off staff last year.

Cost-cutting measures may not be enough to save some other retailers, said Rodney Miles, who runs the discount cosmetics retailer Strawberry Ltd. and is a former chairman of the Retail Management Association.

"I think it's unavoidable we will see some bankruptcies, including some major chains," Mr. Miles said. "I am normally optimistic, but the situation is very bleak."

Part of Hong Kong's problem is a fall in tourism, the city's biggest foreign exchange earner. Since the former British colony was handed back to China in July 1997, the number of visitors has been falling.

They rose at an annual rate of 11 percent in December, to 936,914, but were down 8 percent for all of 1998.

In addition, and regardless of the economy, businesses often choose to close up after the Lunar New Year — a traditional time for settling debts — for both practical and cultural reasons.

MICROSOFT: Officials Debate What Type of Sanctions to Seek if Government Wins Antitrust Case

Continued from Page 11

forced to sell its equivalent of the Coca-Cola soft-drink formula to two or three other technology firms. With this so-called source code to Windows, the other firms could develop their own versions of the operating system. Proponents say this would spur new competition in the important personal-computer operating system market, of which Microsoft now owns about 90 percent.

Under antitrust law, if the judge rules against Microsoft, the government can propose steps, or "remedies," that should be taken to correct the antitrust violations. The decision, however, is the judge's.

The Justice Department and the states have not made any formal decisions about what they would propose, according to sources familiar with the government's strategy. And the tough remedies would be proposed only if U.S. District Judge Thomas Penfield Jackson rules that Microsoft has committed serious antitrust violations, the sources said.

"All options are still on the table," said a source close to the government's case, who predicted that even if Judge Jackson ruled strongly for the government, corporate dis-

memberment would be less likely to be proposed than code-sharing or a stringent code order requiring the company to abandon certain controversial business practices.

"The government has got to be emboldened by what's gone on in the last couple of weeks to ask for more aggressive remedies," said George Cary, a former Federal Trade Commission attorney.

Microsoft officials maintain that they are winning the case and that talk of possible sanctions is premature. "Any talk about so-called remedies at this stage of the trial is wishful thinking by the government," a Microsoft spokesman, Mark Murray, said. "It's an attempt to distract attention away from the weakness of their case."

When the Justice Department and the states filed lawsuits against Microsoft last May, they outlined a preliminary request that Microsoft be forced to either strip out its Internet Explorer browser from Windows 98 or include Netscape's Navigator browser in the operating system. The government also indicated that, if it won, it would seek a special hearing to specify additional remedies.

For the government, devising the ideal remedy — one that prohibits conduct it finds

troublesome while not infringing on the company's right to create an oversight bureaucracy — is proving to be a thorny issue.

The most basic sort of sanction, outlining specific changes, such as removing the browser from Windows, will be ineffective over the long run in the highly dynamic technology industry, said George Cary, a law professor at Cornell University and a former chief economist in Justice's antitrust division.

"What happens in five years when Microsoft wants to add the next hot technology to Windows?" Mr. Cary said. "It's difficult for a court order today to contemplate that."

One approach would be to ask a judge or a regulatory agency to approve new versions of Windows, but there appears to be a consensus among government lawyers that this would appear overly meddling and would not be nimble enough for the fast-changing computer industry. Justice Department officials indicated before the case went to trial that they do not want to be put in a position of evaluating software.

As a result, the most serious remedies under discus-

sion revolve around forcing one-time changes in the company's structure and behavior — a surgical strike that would involve little or no oversight later on.

Just what the strike would be is unclear. "Every approach has a problem," said Robert Litan, a former Justice antitrust official who now is the director of economic studies at the Brookings Institution. "There is no easy answer."

The forced licensing of the Windows source code, for instance, could allow other companies to create Windows clones, stimulating competition and innovation in the operating-system market. Consumers would get the choice of new, cheaper systems that would still be compatible with the Windows standard, according to proponents of the approach, who include several economists that have been advising the Justice Department and the states. After the initial licensing of the code, which could be conducted through an auction, proponents contend, government involvement would be minimal.

In theory, all competing versions of Windows would run the same software, but they might have different features.

If Microsoft were to be divided into an operating sys-

tem company and a company making software "applications," such as word processors, both would still have tremendous market dominance. The logic of such a split, from the government's point of view, would be that it would end once and for all the alleged practice that is at the heart of the case — Microsoft using its operating-system monopoly to build a monopoly in applications software.

This operating-systems company simply wouldn't be in the applications business.

"The fracturing of the Windows standard is not what customers or the industry wants," said Ken Wasch, president of the Software and Information Industry Association.

Similar problems plague the breakup approach. Because Microsoft's business is based on intellectual property and human capital, not mines or factories, there are no clear dividing lines. How would the employees be split? Indeed, who would get Mr. Gates?

If Microsoft were to be divided into an operating sys-

INTERNATIONAL FUTURES

Feb. 15, 1999

High Low Latest Open Close

Metals

One Price Previous

LONDON METALS (LAME)

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Silver (1000 grams)

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Stock Indexes

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SPORTS

Women Soccer Players Ready for Prime Time

World Cup to Start June 19 in the U.S.

By George Vecsey
New York Times Service

SAN JOSE, California — Kim Sun Hui was already 17 years old when she first touched a soccer ball with her instep. Before that, women were not encouraged to play soccer in her country, North Korea.

At a time when many nations are promoting soccer as the major team sport for female athletes, Kim made the transition from track and field to soccer. She was here Sunday from Pyongyang, playing in an all-star game to promote the Women's World Cup of soccer.

The North Korean team was one of the 16 nations — 14 qualifiers plus the United States as the host nation and Norway as the defending champion — placed in the draw at halftime Sunday. The competition begins June 19, and in it, Kim's team will again face the United States. The Koreans, along with Denmark and Nigeria, were drawn in Group A with the host.

"The future of football is feminine," said Sepp Blatter, the head of the world soccer body known as FIFA. "As soccer grows in popularity among women — about 30 million play — many tell the same story about facing stereotypes that soccer is a tough-guy game, not suitable for tender females."

"Oh, the women should be home in the kitchen," said Ulrika Karlsson, the goalkeeper from Sweden, one of the more advanced nations for the sport. Other nations are catching up, trying to catch up in the swell of interest since the first Women's World Cup in China in 1991 and the second in Sweden in 1995. North Korea has come from virtually nowhere to qualify — the first time any soccer team from that nation has reached a World Cup since the men's team beat

Italy and gave a scare to Portugal in the men's 1966 World Cup in England.

Kim did not begin the way many other of Sunday's All-Stars did — playing against boys in her neighborhood. She was trained as a defender, is quite proud of her ability to intercept passes near the goal.

Many of her teammates Sunday had a full decade of experience on her. Mercy Akide of Nigeria, a rangy midfielder, said that she grew up playing with boys.

"They called me Tomboy," she said, but she said that the women's game has become popular.

Grazielle Grazi of Brazil, a lithe 17-year-old, spoke openly about the old stereotype: "In Brazil there was a lot of bias against women playing soccer. Some people thought that only lesbians played soccer. But now this is not as much of an issue."

Because of the attitudes Grazielle describes, women's soccer in Brazil has developed slowly, despite that country's being the emotional center of the men's sport.

"We have a lot of talent in Brazil," Grazielle said. "Our men's team did not win the World Cup in France so maybe we can win in America."

Some All-Stars have come through an established club system, like Sue Smith of England, whose country did not qualify for the World Cup.

Smith is from Liverpool, and grew up playing against boys in a park.

Smith crossed the Mersey River and joined Tranmere Rovers, whose men's team plays in the English first division. Its women's teams have recently beaten the women from both Liverpool and Everton, the two Merseyside powers. Born into a family that roots for Everton, Smith sheepishly admits that as a left



The U.S. women's team player Brandi Chastain, right, fighting the World Stars' Mercy Akide for the ball in a match in San Jose, California.

wing she emulates Ryan Giggs, the Welsh left wing for Manchester United. "When you switch on the telly, that's what you see," Smith said.

But this summer the women will be on the telly — all 32 games will be shown on U.S. television and in many other countries.

The United States, which won the 1996 Summer Olympics tournament, is the favorite, and has been seeded into a host slot for games at Giants Stadium in Rutherford, New Jersey, where it plays Denmark on June 19, Soldier Field in Chicago where it meets Nigeria on June 24 and Foxboro Stadium in Massachusetts where it plays North Korea, on June 27.

In Group D, China, the seeded team, meets Australia, Ghana and Sweden. The seed in Group B, Germany, was matched with Brazil, Mexico and Italy. Norway, the defending champion, is in

Group C. Its opponents — Japan, Canada and Russia — look relatively easy but the Norwegians will have a biocoastal schedule in the first round, and could be affected by the heat as well as the jet lag.

Then, consider Russia, the team seeded fourth in Group C. It plays at Foxboro on June 20, Civic Stadium in Portland, Oregon, on the night of June 23, then back to Giants Stadium for a noon game on June 26 — grueling travel conditions.

But perhaps these brutal journeys around such a huge country are a sign that women's soccer is reaching the big time.

In the exhibition game, the World All-Stars rallied in the second half to defeat the Americans, 2-1. The Canadian striker Charmaine Hooper scored both goals for the World team after the United States took a 1-0 lead on a goal by the midfielder Julie Foudy.

Sacchi Is Quitting Atletico and Soccer

Reuters

MADRID — Arrigo Sacchi, who turned AC Milan into one of Europe's greatest teams and took Italy to the World Cup final, said Monday that he had resigned as coach of Atletico Madrid and was quitting the game.

Sacchi, 52, was eight months into a two-year contract at the Spanish First Division club which he said would be the last job in his 22-year coaching career.

Sacchi resigned after three successive league defeats. Atletico is ninth in the 20-team Spanish league, 11 points behind Barcelona, the leader.

"From now on, I'm no longer coach of Atletico Madrid," said Sacchi, who led Milan to European Cup triumphs in 1989 and 1990 and Italy to the 1994 World Cup final. "I'm also bringing to an end my career as a soccer coach."

Sacchi, who arrived at a news conference smiling and relaxed but looked close to tears as he read from a statement, said, "I'm exhausted, which is why I've taken the decision."

Sacchi will be replaced in the short term by Carlos Aguirre, the reserve team coach. Sacchi, who was hired in May, had been the 21st coach appointed by Jesus Gil in his 12 years as club president.

Gil said the Italian had left "as a gentleman."

But Gil added, "The players were just unable to adapt to his system of play."

Empoli, which is last in Italy's Serie A, hired little-known Corrado Orrico as its new coach Monday after sacking Mauro Sandrami the day before.

Marseille Fans Cause Trouble

French soccer officials expressed concern Monday over fan violence Sunday at the end of Marseille's 1-0 loss at Toulouse. Reuters reported from Paris.

"We are waiting for a report from the referee there will be a disciplinary committee meeting to deal with the matter, a league spokesman said. "But we must admit that we are concerned. This is not the first time Marseille's fans have been mixed up in outbreaks of violence."

Three security guards were injured in clashes with Marseille fans after the team lost to a late penalty and failed to regain first place in the league.

In December, Marseille was banned from using its own stadium for one match after its fans invaded the field before a 3-0 victory over Metz.

"Clubs must be aware they are responsible for their supporters even when they play away," the spokesman said.

EU Investigates UEFA Negotiating Tactics

Reuters

BONN — Karel Van Miert, the European Union Competition chief, said he was investigating a claim that UEFA, which runs European soccer, and the English Premier League forced clubs to accept UEFA's proposed competition in preference to one proposed by an outside group.

Van Miert told Die Welt, the German weekly, that he acted after a complaint from Media Partners, a marketing agency that tried to create a breakaway European league.

"Media Partners claims that UEFA and the league used their dominant position to forbid the clubs to talk to them," Van Miert said. "Naturally, you should not do that. The clubs must be free to talk to others."

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"Media Partners claims that UEFA and the league used their dominant position to forbid the clubs to talk to them," Van Miert said. "Naturally, you should not do that. The clubs must be free to talk to others."

SCOREBOARD

BASKETBALL

NBA STANDINGS

EASTERN CONFERENCE

Team	W	L	Pct	GB
Orlando	1	1	.500	0
Philadelphia	1	1	.500	0
Boston	1	1	.500	0
New York	1	1	.500	0
Atlanta	1	1	.500	0
Washington	1	1	.500	0

CENTRAL DIVISION

Team	W	L	Pct	GB
Atlanta	1	1	.500	0
Indiana	1	1	.500	0
Charlotte	1	1	.500	0
Orlando	1	1	.500	0
Washington	1	1	.500	0

PACIFIC DIVISION

Team	W	L	Pct	GB
Seattle	1	1	.500	0
Portland	1	1	.500	0
Golden State	1	1	.500	0
Los Angeles	1	1	.500	0
Phoenix	1	1	.500	0

WESTERN CONFERENCE

Team	W	L	Pct	GB
Utah	1	1	.500	0
Minnesota	1	1	.500	0
San Antonio	1	1	.500	0
Denver	1	1	.500	0
Phoenix	1	1	.500	0

U.S. COLLEGE SCORES

Team	W	L	Pct	GB
St. John's	1	1	.500	0
Georgetown	1	1	.500	0
Duke	1	1	.500	0
North Carolina	1	1	.500	0
Virginia	1	1	.500	0

ICE HOCKEY

NHL STANDINGS

EASTERN CONFERENCE

Team	W	L	T	Pts	GB
Philadelphia	1	1	0	2	0
New Jersey	1	1	0	2	0
Pittsburgh	1	1	0	2	0
N.Y. Rangers	1	1	0	2	0
N.Y. Islanders	1	1	0	2	0

CENTRAL DIVISION

Team	W	L	T	Pts	GB
St. Louis	1	1	0	2	0
Chicago	1	1	0	2	0
Minnesota	1	1	0	2	0
Washington	1	1	0	2	0
Calgary	1	1	0	2	0

PACIFIC DIVISION

Team	W	L	T	Pts	GB
San Jose	1	1	0	2	0
Vancouver	1	1	0	2	0
Los Angeles	1	1	0	2	0
Edmonton	1	1	0	2	0
Phoenix	1	1	0	2	0

WORLD BASKETBALL

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0

WORLD CUP STANDINGS

Team	W	L	Pct	GB
USA	1	1	.500	0
China	1	1	.500	0
South Korea	1	1	.500	0
Sweden	1	1	.500	0
Denmark	1	1	.500	0</

ART BUCHWALD

Starr Goes to Court

NEW YORK — Just when you thought it was safe to go back into the shark-infested Whitewater, a new revelation is disclosed to try one's soul.

The Justice Department announced that it was investigating the independent counsel Ken Starr and his staff for perjury, one of this country's most despicable high crimes and misdemeanors.



Did Starr offer Linda Tripp a job for her testimony? Did he buy gifts for Lewinsky's mother? Did he leak information about Betty Currie to the National Enquirer, and did he personally wiretap Chelsea Clinton's telephone at Stanford?

As Starr has said many times in many places, no man in this country is above the law — neither the president of the United States nor the special prosecutor of the president of the United States.

I am not saying Starr did anything wrong. But if it is proved that he did, then the House of Representatives has a duty to send him back to defend General Motors, where he belongs.

The person behind the investigation is Attorney General Janet Reno, and, like it or not, she may have to appoint a special prosecutor to investigate a special prosecutor, which would be a first in our history.

A South Korean Director's Ode to the Ordinary

By Joan Dupont
International Herald Tribune

ROTTERDAM — Hong Sang Soo does not make buddy movies, melodramas or gangster epics. He creates his own genre and, unlike another prize-winning South Korean director, Jang Sun Woo of "Timeless, Bottomless, Bad Movie," Hong's movies are not about bad street kids but sad graduate students.

Hong's first film, the critically praised "The Day a Pig Fell Down the Well," won the Tiger Award for best film in Rotterdam two years ago. His second, "The Power of Kangwon Province," won a critics' prize at Cannes and started its European career here. These are films in which the camera barely moves and almost nothing happens.

"I film ordinary people, everyday life," the director says. The characters in "Kangwon Province" go to a beautiful mountain resort near Seoul to get away from it all — foggy weather, failed love affairs, broken friendships — only to come home hungover and defeated, because, he says, "there is no escape from Korea."

Hong, 38, is solemn and shy. He grew up on American films of the 1960s, got a bachelor of fine arts degree at the California College of Arts and Crafts in Oakland, and a master's degree at the Art Institute of Chicago. But the American experience seems to have left no mark. His English is a confidential mutter, a foreign language.

"Maybe I'm remote from influences. I grew up hearing every day that we were influenced by America, but I never thought deeply about it. I follow my own curiosity, which seems to be more European." He went to Chicago with the idea of making experimental films and had a moment of revelation when he saw films by Robert Bresson and Luis Bunuel.

"The Power of Kangwon Province" is based on two separate stories told in sequence yet mysteriously connected. "Probably the way I work comes from my experimental background. To me, a script is just a starting point. I think form is everything; each film must have a different form."

In his last film, which he says is "dangerously personal, an improvisation and adventure into the unknown," a graduate student travels to Kangwon to get over an unhappy affair with her professor, but she floats through reminders of her loneliness. In the second sequence, the professor takes off



A scene from "The Power of Kangwon Province," directed by Hong Sang Soo.

for a festive holiday and almost crosses paths with the girl. The mirage of blue skies and sexual freedom cloud over, he drinks too much and when he tries to leave, there are no planes out.

"I choose a situation from everyday life, and want to view it through the film medium," he says. "Every step of the way is creative, just looking for the right kind of weather, and casting, the most exciting part of making a movie. I find my actors in subway stations, classrooms, and I change the character I wrote to mix him with the real person. It's like writing a diary. And when I'm finished with the film, I've finished with the situation."

The choice of telling the stories separately came about by accident. "I had written two stories, and one day I looked at my notes and saw how they could become one film. My motto is: What you get through hard work is good, but the gifts we get — accidents, coincidences — are the most precious."

There is little music in the film, nothing to ease the damp mood but wry humor. In Rotterdam, the film was met with intense concentration, but in Seoul, there were "not exactly laughs," but ripples of recognition.

"Some are interested in my formal structure," he said, "some by the unsentimental treatment, and others find twists in the dialogue that make them smile, for I am talking about a Korean experience."

Hong's parents grew up under Japanese occupation. And his father was a soldier in the Japanese Army in North Korea when the Soviet Union took over in World War II.

To avoid prison, he joined the North Korean Army, then defected to the South because he knew he was in danger of de-

nunciation. He was intelligent and became a high-ranking officer in South Korea, but my parents divorced and I didn't spend much time with him; he died when I was 20." His mother worked in a film production company and is now a translator.

The youngest of four, he is the only child in the family to have made a career in film. "That doesn't make me different, because I think everybody is different. But I was very introverted as a child. I had no friends, no aim or ambition. I only liked to do things I could do alone, like doodling. It took me years to find out what I wanted."

When he returned from Chicago at age 32, he finally knew. He directed a series called "Writers and Their Best-Sellers" for the Seoul Broadcasting Station, worked for a video production company to make money, and then a film production company, where he wrote his first script. "I was lucky; they liked it, so I started making movies."

The movies, with their focus on missed relationships, are out of the mainstream. Made for a budget of \$650,000, "The Day a Pig Fell Down the Well" did not do big box office. "The Power of Kangwon Province," he says, did a bit better and earned the label "cinema of subversion."

Directors of the "New Korean" films, like Hong and Jang, are raked over the coals by professionals at home, and trotted out to perform at festivals. Miracin Korea Film, which produced "The Power of Kangwon Province" and "Timeless, Bottomless, Bad Movie," made money distributing "Pulp Fiction" in South Korea and was willing to lose money in exchange for international prestige, a Cannes prize.

Although Hong has blocked out his recent trip to Cannes and cannot even remember the name of his hotel, he is learning the value of festivals. "I want to make movies in Korea so I need to work up interest and money — prizes help. Then I come back to Seoul, where I live with my wife and my child. I try to keep them out of all this, because I want my home to be a place where my child can play and relax, so I can't bring back, you know," and he smiles for the first time, "all these exciting people."

"My concern is to be concrete; that's where the film medium is powerful. I want to make a film that is constructed like everyday life, that doesn't degenerate into symbols. I don't want my actors looking for symbolic gestures. I want them to act like themselves, like real people."

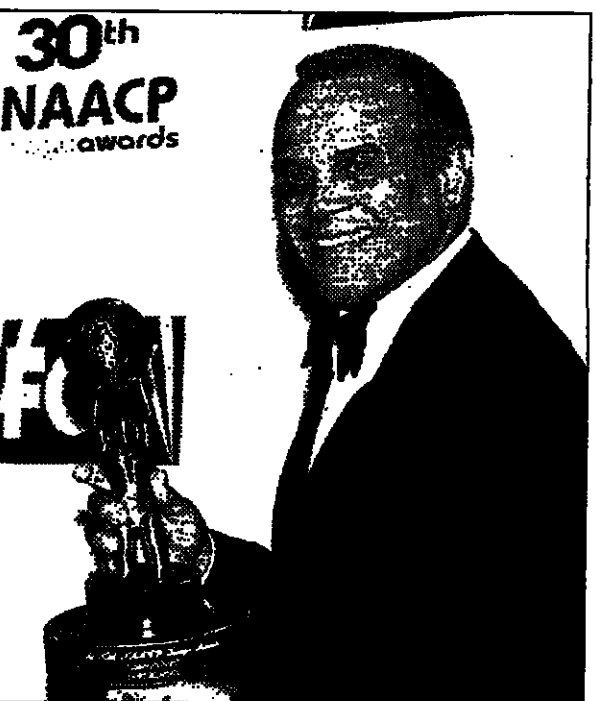
'When Robots Rule,' in London

New York Times Service

LONDON — An airplane factory will begin operation Tuesday at the Tate Gallery in London. But it's not as if the home of the National Collections of British and Modern Art had decided to abandon art for commerce. The manufacturing complex in the Tate's Duveen Galleries is an installation, "When Robots Rule: The One-Minute Airplane Factory."

Created specifically for the galleries by the American artist Chris Burden, the 20-foot-long (6-meter-long) robotic assembly line transforms tissue paper, balsa wood and plastic into rubber-band-powered model airplanes in a sequence that ends with each plane ascending some 60 feet and landing on the gallery floor.

Having illuminated the principles of mass production, the factory will close on June 6, after making, the museum hopes, about 36,000 aircraft.



Harry Belafonte with his NAACP award.

THE actor Will Smith was named Entertainer of the Year and the former Chicago Bulls star Michael Jordan was honored with the Jackie Robinson Sports Award at the 30th annual NAACP Image Awards at the Pasadena Civic Auditorium. The honorees Sunday also included Harry Belafonte, the opera singer Kathleen Battle, the blues guitarist B.B. King and the singer Lauryn Hill.

If Dustin Hoffman had his way, he would be writing characters instead of playing them. Hoffman, who is to receive the American Film Institute's Life Achievement Award on Thursday, said he was not entirely satisfied with acting and has been secretly writing a screenplay for years. "My first choice would be to be the author," he

told the Los Angeles Times. "I can't help being this way."

A much-anticipated concert by Luciano Pavarotti in Hamilton, Ontario, was canceled just as the house lights were about to dim Sunday night. The audience was informed just before show time that Pavarotti would be unable to perform. A spokesman for Copps Coliseum said the Italian singer was suffering from strained vocal cords. A sold-out 500 gala dinner was to go ahead as planned. Tickets for Sunday's concert were to be redeemed for a rescheduled concert on July 11.

When Hollywood decided to make a movie out of "Angela's Ashes," Frank McCourt's best-selling memoir

of his poverty-stricken boyhood, the first task was to find a proper Irish slum. Not so easy in today's more prosperous Ireland, Newsweek says its Feb. 22 issue. Unable to find the right sort of griminess in Limerick or anywhere

else, the filmmakers spent 25 million to create it on a vacant lot in Dublin, right down to the tiny family kitchen. McCourt visited the set for just a few days, but found even that a little too real. "It's an abundance of emotions tum-

bling in. There's sadness and nostalgia and wonder and a feeling of removal," he said. "I'm jolted into the past and jolted forward into my very successful present. It'd be neat if I could have just one emotion, but I don't."

mineries before now, only it was never offered.

Meryl Streep has received a special award from the Berlin International Film Festival in recognition of her contribution to the movies.

The 2-year-old daughter of the rocker Michael Hutchence is claiming part of his estate for her maintenance and education, according to documents filed with the New South Wales Supreme Court on Monday. Heavenly Hirsani Tiger Lily Hutchence, through her godmother, Belinda Brewin, is asking for an unspecified lump sum, plus interest and costs. Hutchence, a singer with the Australian group INXS, committed suicide in a Sydney hotel in 1997.

Buckingham Palace Uproar

Agence France-Presse

LONDON — Buckingham Palace on Sunday acknowledged that horses of Queen Elizabeth's royal guard are occasionally drugged to prevent surprise outbreaks during ceremonies.

"It is only done when the horse is inexperienced and a bit bouncy and skittish. It is not normal practice. It doesn't happen all the time," a palace spokesman said in response to a charge by an animal rights organization.

The queen was aware of the practice, he said, adding: "The queen always takes an interest in the welfare of the horses."

"I am astounded," said Jonathan Owen, of the World Society for the Protection of Animals. "You shouldn't use these horses if you can't train them properly."

PEOPLE



(take in a rock show)

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Egypt (Cairo)	510-0200	Italy	172-1011
France	0-800-95-0011	Netherlands	0800-022-9111
Germany	0130-0010	Russia (Moscow)	755-5042
		Saudi Arabia	1-800-10
		Spain	900-95-0011
		Sweden	020-795-011
		Switzerland	0800-83-0011
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The World's Daily Newspaper

No Immunity When the Throat Sneezed, Worries Caught a Cold
Experts Ignored Warning And Misdiagnosed One Of A Serious Global Crisis

By Nicholas D. Kristof and Steven Waldman

It was a cold, a sniffle, a sneeze. But it was the start of a global crisis. In 1967, a young man in New York City sneezed. He was 23 years old, a student at the City College of New York, and he was named GUM. He was a Jew, and he was a Russian. He was a Jew, and he was a Russian. He was a Jew, and he was a Russian.

Behind the GUM
The story of a young man who became a global crisis.

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See MARKETS, Page 16

The Dollar

	Tuesday 10:41 PM	Previous Close
Spot	1.1203	1.1206
1 Month	1.1342	1.1344
3 Month	1.1345	1.1345
6 Month	1.1459	1.1412
1 Year	5.9535	5.9085

The Dow

	Tuesday 10:58	Percent Change
DOW	9,297.33	+0.24%
S&P 500		
NASDAQ	1,241.86	+0.05%
	2,312.93	-0.36%

Newsstand Prices

	10:00 PM	11:00 PM
London	12.50 FF	12.50 FF
London	1.600 CFA	1.600 CFA
London	CE 5.50	10.00 CFA
London	10.00 FF	12.50 FF
London	1.100 CFA	1.100 CFA
London	3.000 CFA	1.100 CFA
London	1.250 CFA	250 CFA
London	1.250 CFA	1.250 CFA
London	700 FF	1.250 CFA